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NOMINATION OF LAWRENCE S. EAGLEBURGER

HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

MARCH 15 and 16, 1989

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NOMINATION OF LAWRENCE S. EAGLEBURGER

WEDNESDAY, MARCH 15, 1989

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met at 10:05 a.m. in room SD–419, Dirksen Senate Office Building, Hon. Claiborne Pell (chairman of the committee) presiding.

Present: Senators Pell, Biden, Sarbanes, Cranston, Dodd, Kerry, Simon, Moynihan, Robb, Helms, Lugar, Kassebaum, Boschwitz, Pressler, McConnell, Humphrey, and Mack.

The CHAIRMAN. The Committee on Foreign Relations will come to order and today considers the nomination of Lawrence Eagleburger to be Deputy Secretary of State.

As regards the pace of the administration in making its nominations, I must express some sympathy and some concern. I am sympathetic in that the background checks process, the process that precedes, I might note according to regulations devised within the executive branch, has become more thorough than ever before.

But I am also concerned that, beyond the fulfillment of these requirements, the administration is slow in determining just who it wishes to place in its key positions.

But that said, let us turn to the nominee at hand, a man well known to the Foreign Relations Committee and well regarded, at least by myself, for his past service in Government, for his pragmatic approach to issues, for his honorable and candid behavior in the rough and tumble of executive-legislative interaction on the subject of American foreign policy.

I believe that his experience and personal qualities could prove immensely valuable during a period in which the United States will be called upon to consider far-reaching changes affecting our relations with long-time allies and long-time adversaries.

Mr. Eagleburger, we would like to move as quickly as possible to any opening statement you might have and then questions. But in so doing, permit me to identify three areas relating primarily to your business affairs since leaving Government that have been the object of some attention in the press and that I hope you will address early on and in detail.

First, concerns have been raised as to the activities of Kissinger Associates and Kent Associates with respect to foreign clients, specifically whether you have ever represented a foreign government or acted as an agent for a foreign principal as that term is defined in the Foreign Agents Registration Act.

Second, there is some legitimate concern as to whether your representation of certain clients on behalf of Kissinger Associates and Kent Associates presents a conflict with your responsibilities at the State Department. How would you draw the line? Would there be a problem in recusing yourself where appropriate, while still performing effectively in an office that is centrally important in the conduct of U.S. foreign policy?

And third, questions have been raised about your activities with regard to Yugoslavia, both while you were in the U.S. Government and during your time in the private sector.

I trust and believe that you are prepared to discuss these matters in a manner that satisfies all reasonable concerns, and I know that I think you will do a fine job in the job for which you are being nominated and I intend to strongly support you.

As I say, I want to move promptly to your presentation. But I would first yield to Senator Helms for his opening statement.

Senator HELMS. Mr. Chairman, thank you. You deserve commendation for your prompt action in scheduling this hearing, and I for one do commend you and thank you.

While it had been announced since January that Mr. Eagleburger would be nominated to the position of Deputy Secretary of State, the formal nomination was not made by the White House until March 3, as I recall. All Mr. Eagleburger's papers were received about a week ago, on March 8, and thus we were ready to proceed.

Now we are beginning to get a trickle of nominations sent up to the committee now, and I know that the chairman plans to schedule these for prompt action immediately following the recess.

Now, the process of choosing the key appointees in any new administration is a serious thing. President Bush has been wise to move with care and discretion in making these nominations.

And even though some of the President's critics have exhorted the President to get moving as if he had been languishing in fear of making the wrong political step, the truth is that President Bush's record is about the same as other recent administrations, neither better nor worse. And this is certainly the case with President Bush's foreign affairs nominations.

The Bush administration, like all other administrations, is struggling to make a multitude of decisions on nominations all at once. However, its task is immensely more complicated than in the past because of today's greater sensitivity toward ethical considerations, and no one would want it any other way.

But we must recognize that all nominees have to jump higher, through a longer and time-consuming series of hoops. President Bush has set high standards for Government service and Secretary of State Baker has demonstrated a sensitivity to handling his affairs in a manner which is above even any appearance of conflict of interest, an example which would and should serve as a model for the State Department and all other agencies.

Now, Mr. Eagleburger, I have read, and perhaps you have read as well, with some amusement some of the views which I am supposed to hold about you. I will make a deal with you: If you do not believe everything you read in the newspapers, I will not believe everything that I read about you.

Mr. EAGLEBURGER. You have got a deal.

Senator HELMS. I had a very productive meeting, Mr. Chairman, with Mr. Eagleburger earlier this year, and I think he will agree that we discussed a lot of things amicably, and I expect to do so in the future.

Sometimes we will have to agree to disagree agreeably. But I discussed with Mr. Eagleburger at that time that I anticipated there would need to be thorough questioning about his extensive business and consulting interests, especially with regard to foreign entities.

As I said at the time, I believe it is in Mr. Eagleburger's interest, as well as in the interest of this committee and the President and the country, to be assured that all questions involving each nominee's judgment, management, ethical conduct, including the appearance of any conflict of interest, et cetera, are thoroughly explored, answered in an honest and straightforward manner, and thereby settled.

Otherwise you run the risk of down the line all of this stuff coming up again in bits and pieces.

And I have every reason, Mr. Chairman, to believe that Mr. Eagleburger is prepared to be totally candid in responding to inquiries of all Senators. And I personally welcome you here this morning.

The CHAIRMAN. Thank you very much, Senator Helms.

Mr. Eagleburger, you might care to make a statement, and then we will get right on into questions.

STATEMENT OF HON. LAWRENCE S. EAGLEBURGER, OF FLORIDA, DEPUTY SECRETARY OF STATE DESIGNATE; ACCOMPANIED BY, WILLIAM ROGERS, ESQ., ARNOLD & PORTER, COUNSEL

Mr. EAGLEBURGER. Thank you, Mr. Chairman. It is a pleasure to be here this morning.

I have a brief, hopefully brief, statement on foreign policy views of mine, and then I would like to go to answering your three questions.

When I entered the Foreign Service in 1957, the United States was deeply enmeshed in the cold war. Sputnik jarred our technological and scientific confidence. We had just gone through the wrenching experience of opposing our allies in the Middle East.

We were facing a post-Stalinist Soviet regime, led by an energetic, reforming leader apparently willing to think new thoughts. In Asia, we had to contend with the enmity of the Chinese Communists and the economic weakness of our Asian friends and allies, including Japan. The developing world was disposed against the free world economic model and Western democracy.

A young man or woman entering the Foreign Service today, however, would see a very different set of circumstances. Secretary Baker in his testimony gave you an extensive survey of the world.

I shall not try to repeat that performance. Suffice it for me to say that we have strong and prosperous allies, where before they were weak. Many developing countries have rediscovered the virtues of both market economics and democracy; and our Soviet adversary is struggling with a deeply routed systemic failure.

The world of the closing years of the 20th century is in most respects a more hospitable world than the one I knew as a junior Foreign Service officer.

This change takes on even greater salience when it is measured against history. The late Barbara Tuchman once argued that we had to go back to the 14th century to find a period as bloody and as unstable as the one we witnessed during the first half of this century. Two world wars, a disastrous depression, and the totalitarian assault on humanity substantiate her case.

Yet the post-World War Two era, unlike the 1930's, did not become a prelude to another slaughter. The reason is to be found in American leadership. We were not always wise and we were not always effective, but on the big issues we succeeded.

Unlike the Soviet Union, the problems we face today are a consequence of success, not failure. Over the past 40 years, we have been generally successful in dealing with East-West problems, and to a lesser extent North-South problems, because the United States and its allies in Europe and in Asia have managed to remain reasonably united.

The result has been a triumph of Western political and economic values. East-West tension is less severe than we have seen it for some time. The North-South issue is hopefully on its way to being redefined in a helpful and productive way.

In other words, Western unity has opened the door to a new era, full of promise, in the next century. But to keep that door open, to step over that threshold, will require a strong and united West, just as much now as over the past four decades.

West-West relations have changed and changed profoundly. Where 40 years ago all of the initiative and most of the resources had to come from Washington, now much initiative and an increasing share of the resources comes, or must come, from our European and Japanese allies. Inevitably, frictions will arise, both from the change in the relative right and strength of the members of our partnership and from the fact that we are an aggregation of free nations whose interests sometimes differ.

So long as our common values and our fundamental interests are the same—and I would argue that they are—we can hold together. But I would also argue that we need to remind ourselves with increasing frequency that, no matter how acerbic our debate may become on transitory questions, we are still partners in building a world that must be more secure and democratic than that inherited by the generation that saw the close of the 19th century and the opening of the 20th.

NATO is about to celebrate its 40th anniversary, which is middle aged by human standards and geriatric by the standards of international alliances. The longer the alliance has lasted, the better off our allies have become. That is all to the good.

It would be churlish to complain. It would be downright foolish to long for an earlier era when we had to carry the whole load.

Still, we ought to recognize that NATO's success has left chronic problems which in some cases are growing acute. One is the generation gap. A long peace breeds a certain complacency.

Neither we nor our allies have done enough to bring the younger generation into an appreciation of what the alliance really means

or really does; namely guarantee them an opportunity for a reasonably happy future. That task is crucial now that the Soviets have rediscovered the benefits of the soft sell.

A second problem is the issue of nuclear weapons. Some call it an allergy, but in fact it is an ambivalence. Everyone wants the deterrent benefits of nuclear weapons, but people are understandably reluctant to pay the premium for the policy by having the weapons stationed on their territory.

Let us not fool ourselves into believing we can dispense with the nuclear deterrent or that if we did we would reduce the chances of war. There were wars long before there were nuclear weapons.

But also, let us not fool ourselves about the public ambivalence about those nuclear weapons, which is very strong in Europe and also strong here. It lies behind the sometimes contradictory comments we hear about the INF agreement or the issue of modernizing shorter range nuclear weapons. The ambivalence is real and we need to search for ways to deal with it.

Then there are the frictions and fears over international trade. Sometimes I wish we could take all those hormones the Europeans do not want in their beef and use them to strengthen our common will to reach compromise that truly balances benefits and costs to the mutual advantage of the United States, Western Europe, and Japan.

The European Community's drive toward a single market by the close of 1992 is the most immediate case in point. The successful conclusion of that effort will be a seminal event in the history of the final quarter of the 20th century.

Whether it will be for good or evil remains to be seen, for if Europe builds a closed, protective enclave we and the rest of the world will surely respond in kind. If, on the other hand, the new market is open to the goods and services of others, then just as surely Europe will have laid the foundation for a new era, not only for itself but for its trading partners as well.

Each of the problems that I have briefly described plays upon the other. If we are not careful, therefore, a slow but steady deterioration could set in. Under NATO's security arrangements and under the workings of the international institutions we created after World War Two, including the IMF, the GATT, the OECD, and the World Bank, Western Europe has traveled an enormous distance from the devastated states of 1945.

We should never discount the web of constructive relationships created by these institutions. Each strand in the web may look thin and wispy at times, but taken together they can carry a great weight. The West's common task is to preserve that past and build upon it. Otherwise, that web will begin to unravel and we will increasingly be fighting amongst ourselves, and in the process we will have lost great opportunities for achieving a new kind of success.

Nowhere does this last judgment apply better than in Eastern Europe. To put it simply, the Marxist-Leninist ideologies and the economies based on them are bankrupt. That bankruptcy is due in great part to internal failure, but not to that alone. Western resistance to Soviet aggression and the model of our own successful societies have certainly inspired some of the change in the East.

It is possible to admire Mikhail Gorbachev's abilities and to acknowledge Soviet change without lowering our guard. Indeed, it is essential that we do so, not only to protect ourselves in the event that reform fails, but also in the event that reform succeeds. A stronger U.S.S.R. is not necessarily a more benign U.S.S.R.

The outcome of perestroika is beyond my powers of prediction. I would like to see a free, democratic Soviet Union, but then it would no longer be the Soviet Union. Gorbachev's purpose, indeed the only purpose that explains his policy, is to create a stronger, more efficient Soviet Union.

The foreign policy that serves this purpose best for now is less aggressive. In some instances, such as Afghanistan, Gorbachev has been willing to break with the past if to keep on with the old policy means to mortgage the future. Our job is to make sure that the process continues and that in the end Soviet restraint continues to be in Soviet interests.

It is evident that the Gorbachev era presents the United States and its allies with a far more nuanced challenge than was the case only a few years ago. Whether intended or not, these nuances threaten to divide the West, especially the United States and Europe, and within Europe the Federal Republic of Germany from its allies. This of course should concern us and should be dealt with as best we can.

But I would suggest that, however serious the West's problems may be in managing the new Soviet challenge, Mr. Gorbachev has an even bigger problem. Already, the East German and Czech Communist parties have rejected much of Gorbachev's domestic reforms. The Hungarian party has gone beyond them.

Economic pressures are forcing the Polish party to contemplate directions it rejected forcibly not so long ago. And in Romania, a deceptive calm prevails under the personal preserve of Ceausescu. Among these countries, as well as in Yugoslavia and within the Soviet Union itself, nationality and ethnic conflicts are growing.

Again, no one can predict the outcome. But of this we can be sure: The crisis of change in the East will become a crisis in the West only if we fail to stay together. There is not a single question, whether it be NATO's defense posture, conventional arms negotiations, or economic relationships with the East, that cannot best be answered by collective Western action.

Confusion, unilateral action, or unwarranted panic over the state of Western public opinion that leads to what Sir Geoffrey Howe recently called "a mutual striptease" on arms, will turn opportunity into danger. West-West is thus again the key to East-West.

Another area of challenge and opportunity lies in the Pacific, and especially with Japan. The world has grown accustomed to American businessmen, politicians, and officials proclaiming the Pacific century, or proclaiming Japan the economic superpower.

Japan's rise over the past 30 years to that status, without war or depression, surely ranks as a significant achievement by any standard. But the time has come to stop celebrating the past. It is the future that counts.

Can Japan's singlemindedness, dedication, and creativity in the economic sphere be harnessed for the broader interests of the West? Can Japan's increasing international role be directed toward

common Western goals, rather than narrow national objectives? Can Japan reorient its economy so that current imbalances can be rectified without shattering the international system of free trade?

These are problems for Japan, but also problems for the West. The answers will determine not only Japan's security and prosperity, but also our own and that of the West. We can work it out, as Prime Minister Takeshita likes to say. There will be pain for all concerned, not least Japan. But we need together to fashion a more responsible Japanese role, because the alternative is unacceptable.

Let me quote from something I wrote several months ago:

> One possible answer is to involve Tokyo more intimately in Western councils. The instruments for effective consultation with Japan are not as well developed as those between the United States and Western Europe. Seven nation summit meetings are important but they do not permit the kind of close and continuing discourse that is available to the United States and Western European governments through NATO.
>
> Obviously, the NATO structure cannot be duplicated with Japan. Neither can Japan be brought into the alliance consultative process. But it should be possible to establish, even if only informally, a mechanism that permits regular consultation on the range of political, economic, and military questions that increasingly concern Japan, the United States, and the Western Europe of NATO or the EC.
>
> The reality of the closing years of this century is that the world of the democracies is increasingly a world of three centers of power. The institutional framework for consultation and coordination among those power centers has not yet been revised to reflect that reality.

Finally, a few words on another issue that can be resolved best by West-West action. It is called the Third World debt problem, but it is really a crisis of democracy. One by one in the Americas, in the Pacific, even beginning now in Africa, the developing countries are deciding on personal freedom and political democracy as their passports to the future.

Unfortunately, as an economist once said, there is no such thing as a free lunch. All those free lunches from the last decade of the seventies now have to be repaid. And, as events have amply demonstrated in our own hemisphere, whether in Venezuela or in Mexico, austerity and no growth are formulas for stagnation and real trouble.

I do not want to discuss specific solutions here. The President, the Secretary of State, and the Secretary of the Treasury have all declared the need for the modification of the current approach.

But it is clear that the United States cannot deal with the problem alone. Our allies are part of the solution, and it would be unconscionable if we let our fellow democracies go down the drain because of our failure to do enough.

These are a few examples of problems that originated partly because of the success of our earlier policies and that promise us greater success in the future if they are properly handled. Other issues could easily be added, such as the environment.

Yet they all have the same thread in common. If we in the West can adopt a united stance, our chances for progress are increased geometrically. If we fail to do the right thing, then the first half of the 21st century could be uncomfortably reminiscent of the initial 50 years of the century we are now leaving.

In the words of Benjamin Franklin, speaking about an earlier experiment in cooperation, "Either we hang together or we shall assuredly hang separately."

That, Mr. Chairman, is my statement. Now, if I could turn to the questions you have asked.

[The curriculum vitae of Mr. Eagleburger follows:]

LAWRENCE S. EAGLEBURGER

Position for which considered.—Deputy Secretary of State.
Present position.—
Office address.—Department of State, Washington, DC 20520.
Born.—August 1, 1930, Milwaukee, WI.
Legal residence.—Connecticut.
Marital status.—Married.
Family.—Wife: Marlene Ann Heineman; children: Lawrence Scott, Lawrence Andrew, and Lawrence Jason.
Home address.—2250 Clarendon Blvd., Apt. No. 612, Arlington, VA 22201.
Education.—1952 University of Wisconsin; 1957, M.S. degree in political science, University of Wisconsin.
Language ability.—Serbo-Croatian, Spanish.
Experience.—Government.—1952–54, U.S. Army; 1957–59, Foreign Service officer, American Embassy, Honduras; 1959–61, political analyst, Bureau of Intelligence Research; 1961–62, language training; 1962–65, Economic Section, American Embassy, Belgrade; 1965–66, Special Assistant to Dean Acheson, Acting Director of the Secretariat Staff; 1966–67, member of National Security Council staff; 1967–68, Special Assistant to Under Secretary Katzenbach; 1968–69, Executive Assistant to Dr. Kissinger at White House; 1969–71, Political Adviser and Chief, Political Section, USNATO, Brussels; 1971–73, Deputy Assistant Secretary of Defense; 1973–75, Acting Assistant Secretary of Defense, International Security Affairs, also Executive Assistant to the Secretary of State; 1975–77, Deputy Under Secretary for Management; 1977–81, Ambassador to Yugoslavia; 1981–82, Assistant Secretary of State for European Affairs; 1982–84, Under Secretary of State for Political Affairs; and 1984–89, president, Kissinger Associates.
Awards (Government).—1973, Distinguished Civilian Service Medal, Department of Defense; 1976, President's Award for Distinguished Federal Civilian Service; 1974, Carr Award, Distinguished Honor Award.

The CHAIRMAN. Thank you very much.

Incidentally, we will be on the 10-minute rule. I will not be using up my 10 minutes. Rather, I would appreciate your answer, particularly to the question I asked, to describe the work you did for your clients at Kissinger Associates and also Kent Associates.

Mr. EAGLEBURGER. First of all, you asked me for comment on activities with regard to foreign clients, and I would like to try to describe that question of foreign clients and the Foreign Agents Registration Act. Kissinger and Kent Associates have maintained a strict rule, a rule which I followed meticulously:

Those firms provide confidential advice to their clients, but they perform no representational activity on behalf of any client before any Agency of the Government of the United States. They do not lobby, they do not intercede in any way for their clients with the executive branch.

Kissinger Associates and Kent Associates have never acted as an agent of any foreign government, and they have not acted as an agent of any private foreign principal in the conduct of political or propaganda activities, as those terms are defined in the Foreign Agents Registration Act.

Accordingly, neither in my activities at Kissinger Associates or Kent Associates nor elsewhere have I ever done anything which might require registration under that act.

Finally, I should note that both Kissinger Associates and Kent Associates do not engage in any activities related to the import or export of arms, munitions, or sensitive high technology.

With regard to conflict of interests, which you asked about, Mr. Chairman, I have terminated effective now or at the latest upon my swearing in each and every prior business and commercial affiliation I ever had. I would not stand to gain at all from the prosperity of any particular entity. I have sold every equity investment that I held and that might in any way present a conflict with my responsibilities at the State Department.

There will be no conflicts because I will have no outside interests. Beyond that, however, I want to avoid the appearance of impropriety, a point which Senator Helms made. Accordingly, I have informed the State Department, the White House, and the Office of Government Ethics that I intend to recuse myself for term on any matter that specifically involves Kissinger Associates, its affiliate Kent Associates, or ITT Corp., where I have a vested pension plan.

I also intend to recuse myself for a period of 1 year on any other matter that specifically involves a company or organization with which I have had a prior affiliation, either as consultant or director.

Your third question, sir, was to discuss my operations in Yugoslavia.

The CHAIRMAN. Correct.

Mr. EAGLEBURGER. A number of allegations have been made with regard to Yugoslavia, which I have read about in the press. For example, certain individuals have contended that I strongly urged U.S. banks in the late 1970's and early 1980's to bail out the Yugoslav Government and banks with loans of up to $1 billion.

The argument goes that Yugoslav officials later paid me off by awarding me a seat on the board of LBS Bank of New York, which allegedly has served on one occasion as a front for money-laundering activities.

It also has been alleged that I later became president of a Yugoslav company that manufactures and sells the Yugo automobile in the United States and is said to be a wholly owned subsidiary of the Yugoslav arms industry.

I served at the United States Embassy in Yugoslavia as an economic officer from 1962 to 1965 and as Ambassador from 1977 to 1981. I have always regarded Yugoslavia, because of its strategically important geographical location, because it was the first Communist country to break with the Soviet Union, and because for some years it has sought to move its economy toward a market-oriented system, as an Eastern European country whose independence is of substantial importance to American interests.

Both as Ambassador to Yugoslavia and later when serving in the Department of State, I was of the view that it was in the national interest that credit be made available to Yugoslavia if that could be done in a fashion consistent with sound and prudent banking standards. In that regard, as in others, I was but carrying out long-established United States policy with regard to Yugoslavia.

The loans that were made by private commercial banks during my tenure as Ambassador, Assistant Secretary, or Under Secretary were made in accordance with the policies and procedures of those banks. At no time did I or, to my knowledge, any official of the U.S. Government attempt to persuade banks to make loans that

did not meet banking standards or that were to borrowers who were not in the bank's own judgment creditworthy.

You asked as well, I think, Senator, for a description of what Kissinger Associates and Kent Associates do, and I have prepared a description which I hope covers all of the activities of either of the two in a, I hope, forthcoming manner. We will see as we proceed.

Kissinger Associates is an international consulting firm retained by clients to provide analysis and assessment of world political, economic, and security trends relevant to the interests of its clients. Typically, for a fixed annual fee a member or members of Kissinger Associates would meet several times a year, usually for a day or two, with the senior management of a client to discuss an agenda of issues, usually arranged in advance.

Now let me give some examples. With virtually every client, we regularly analyze the following: United States-Soviet relations; implications for the United States and Western Europe of leadership changes in the Soviet Union; the impact of those changes on the situation in Eastern Europe and the relationship between progress on arms control and East-West relations in general and United States-Soviet relations in particular;

Gorbachev's future prospects; the impact of perestroika and glasnost on the internal Soviet scene, their consequences for the West; implications for Eastern Europe and domestic economic and political trends in that area; the prospects for increased trade between the Soviet Union and the United States;

Western European trade with the Soviet Union; and U.S. and Western European trade with Eastern Europe;

The political and economic scene in Western Europe as a whole and in specific Western European countries, with particular emphasis on the impact on NATO, on defense burdensharing, and on the trans-Atlantic relationship;

The question of Third World debt, with particular emphasis on an examination of the political and economic prospects for the most heavily indebted country and the implications of the debt crisis for the Western financial system;

The various proposals for Third World debt relief and, depending on the interests of the client, the debt problem as it related particularly to Mexico, Argentina, Brazil, Peru, the Philippines, and Poland;

The U.S. political and economic scene, with particular emphasis on the impact of the U.S. budget deficit on international financial and exchange rate stability;

U.S. competitiveness and possible steps to improve it, and the U.S. trade scene, with particular emphasis on the pressures for protectionist measures in the United States, with particular reference when appropriate to the 1988 Trade Act and the Gephardt amendment;

United States-Japanese relations, the United States-Japan trade balance, the impact of Japan on protectionist pressures in the United States, and likely courses of development of United States trade policy;

The impact of Japan upon the Pacific Rim countries; political, economic, and trade developments in the area; the changing relationship between Japan, the People's Republic of China, and the

Soviet Union; and the influence of the newly industrialized countries in Asia on the world scene.

Many clients on numerous occasions asked us to provide our analysis of the Arab-Israeli situation; intra-Arab relations; the role of the United States in the peace process and in the area; our judgment on the current state of the Iran-Iraq war, the potential impact in the Middle East of a victory by either of the contending parties, and the potential impact of the war on world oil prices.

After the cease-fire, we were asked to assess whether it would hold and the consequences for the area should it remain in force.

With some clients who had more specific regional or economic interests, we regularly discussed subjects such as: oil price trends, exchange rate trends; the political and economic situation in southern Africa and South Africa; the impact of United States sanctions on South Africa, and the likelihood of additional United States sanctions;

United States relations with Greece and Turkey; Greek-Turkish relations; economic and political trends in the PRC; potential leadership changes in the PRC; United States-PRC and U.S.S.R.-PRC relations;

The implication of governmental changes in Mexico, India, Argentina, Brazil, Peru, Italy, Japan, and Malaysia; the political and economic situation in the Arabian peninsula and the influence of Saudi Arabia in the area; the receptivity of countries in the Middle East to oil exploration activities by foreign companies;

Our analysis of the future viability of Hong Kong as a commercial and financial center; our analysis of the opportunities and risks in the ASEAN countries; United States relations with Libya and prospects for change in those relations; Libyan activities in North Africa and Chad;

An analysis of the European single market in 1992 and its broad implications was a subject of interest to several American clients who were considering the impact of 1992 on their business in Europe. These clients focus particularly on questions relating to the impact of the single market on United States-EC relations, the impact on Japan and the possibly countries within the Common Market most receptive to United States investment and most likely to serve as a useful entry point into the Common Market.

The CHAIRMAN. Excuse me for interrupting.

Mr. EAGLEBURGER. Yes, sir.

The CHAIRMAN. But my time has expired. How much longer do you have?

Mr. EAGLEBURGER. I have one more page.

The CHAIRMAN. Fine.

Mr. EAGLEBURGER. Almost through.

For several clients, we from time to time conducted seminars for senior management on the changing U.S. corporate culture, the takeover acquisition flurry in the United States, and the ways in which U.S. corporate leaders plan their strategies.

Now let me turn to Kent Associates. Kent Associates was established in December 1986 by Henry Kissinger to render advice on specific business matters. In conjunction with that advice, of course, it was also often that we provided the more general kinds of analysis I have just described.

I should note that Kent Associates is smaller in size than Kissinger Associates and has not yet developed as broad a base of clients.

The clients of Kent Associates usually came to us because they were operating in a country in which they had little previous experience and sought our advice when they encountered business problems. The kinds of problems we discussed with clients related to:

The conduct of joint ventures, the treatment of intellectual property, and international trade and finance of agricultural and commercial products and services.

I am sorry, Mr. Chairman, that has taken so long, but I hope I have gotten the answers to your questions.

[The prepared statement of Senator Murkowski follows:]

PREPARED STATEMENT OF SENATOR MURKOWSKI

Mr. Chairman, I want to commend you and the distinguished ranking member for scheduling these hearings as soon as could be arranged.

I also want to compliment President Bush and Secretary Baker for their superb choice for Deputy Secretary. In this period of great flux in international affairs it is critical that the position of Deputy Secretary should be held by a seasoned, career diplomat, who has proven his abilities in key crises of the past.

It is also essential that in this time of major changes in the world economic picture, that not only the Secretary of State but also the Deputy Secretary be individuals who understand the close interrelation between matters of business and matters of diplomacy.

Mr. Chairman, it is no secret that I have long felt that our diplomatic establishment was insufficiently sensitive to the affairs of business and international trade. While this is a condemnation of an institution, it is not a condemnation of all the members of that institution. In Lawrence Eagleburger we have a man who as a Foreign Service officer sought U.S. advantage in business and economic matters. Ambassador Eagleburger is also a man to whom members of the Foreign Service will look for leadership.

Mr. Chairman, these hearings provide an excellent chance to review key questions related to our foreign policy and the organization which we have in place to pursue it. I look forward to the hearing and to having Ambassador Eagleburger in place at the State Department to deal with the problems I have outlines.

The CHAIRMAN. Thank you very much indeed.

The Senator from North Carolina.

Senator HELMS. Thank you, Mr. Chairman.

Two weeks before Mr. Eagleburger's nomination was sent up to us, I wrote to Mr. Boyden Gray, Counsel to the President, asking for certain information that I thought would help expedite the process of this nomination. A few days ago I received just a note from Mr. Gray, saying that my letter had been referred to Mr. Eagleburger's private attorney and that he, Mr. Gray, had been assured that Mr. Eagleburger would be giving my inquiry his careful and full attention. All well and good so far.

Now, my letter asks for a description of Mr. Eagleburger's role as president of the Kissinger Associates, which he has just given, including a list of all client relationships maintained by the firm while Mr. Eagleburger was president, and Mr. Eagleburger's involvement with those clients, a list of fees charged, and a description of the services rendered.

I do not necessarily care whether this is made public or not, but I think the committee ought to have it.

Copies of my letter and Mr. Boyden Gray's response will be made available to any Senator who wants to see them.

Now, to date I have received no written reply, either from Mr. Eagleburger or his attorney. And I wonder, Mr. Eagleburger, are you prepared to respond in writing to that letter today?

Mr. EAGLEBURGER. Senator, I received the letter from Mr. Gray's office, I think late last week. I have some oral answers now or I can provide written answers for the record, depending on which way you wanted to proceed. I did not get the letter until late last week and I am prepared to try to answer those questions for you as best I can now if you wish.

Senator HELMS. Well, I can understand that with the circumstances of the last couple of weeks Mr. Gray may have been previously occupied.

Now, the president of any firm is usually the chief officer and would normally be aware of a firm's clients and the sources of its revenue, would you agree with that, Larry or Mr. Eagleburger, whichever you prefer me to call you?

Mr. EAGLEBURGER. "Larry" is fine.

If you emphasize the word "normally," yes, sir. I am prepared to describe my role as president if you wish.

Senator HELMS. Well, I will give you an opportunity to do that.

Now, I presume that your salary was paid from the Kissinger firm's general revenues?

Mr. EAGLEBURGER. That is correct.

Senator HELMS. Including clients that you did not directly deal with?

Mr. EAGLEBURGER. That is correct.

Senator HELMS. Moreover, this is not a law firm; is it?

Mr. EAGLEBURGER. No, sir.

Senator HELMS. There is no attorney-client relationship involved here.

Mr. EAGLEBURGER. No, sir.

Senator HELMS. Now, have you signed a confidentiality agreement with Kissinger Associates?

Mr. EAGLEBURGER. With Kissinger Associates; no, sir.

Senator HELMS. I was curious, just as one little fact. Would you identify your attorney?

Mr. EAGLEBURGER. It is Arnold & Porter. There are two attorneys, sir. There is William Rogers and Kenneth Juster. They are sitting behind me.

Senator HELMS. Both of them?

Mr. EAGLEBURGER. Yes, sir.

Senator HELMS. Now, I heard that Mr. Rogers was serving as your counsel, and frankly that disturbed me a little bit. I believe Mr. Rogers is that handsome man sitting right behind you; is that right?

Mr. EAGLEBURGER. He is sitting behind me, sir. Whether he is handsome or not is a matter of judgment. [Laughter.]

Senator HELMS. We will ask Mrs. Rogers.

You are Mr. Rogers?

Mr. ROGERS. Yes, sir.

Senator HELMS. It might be well if you sat down beside, to make it a little less cumbersome.

Mr. Rogers, are you a member of the board of Kissinger Associates?

Mr. ROGERS. Yes, Senator.

Senator HELMS. The answer is "Yes"?

Mr. ROGERS. Yes.

Senator HELMS. Did the board of Kissinger Associates approve or affirm the hiring of Mr. Eagleburger and confirm him as an officer of the corporation?

Mr. ROGERS. Yes, sir.

Senator HELMS. Did the board establish or confirm Mr. Eagleburger's rate of compensation and approve his severance pay?

Mr. ROGERS. Yes, it certainly did approve his severance arrangement. Whether it was formal approval when he was first hired, my recollection of the minutes is not that crystal clear, Senator. But it certainly did approve his severance pay.

Senator HELMS. So, there was no confidentiality arrangement, then, or agreement, as has been reported in some of the media?

Mr. ROGERS. Well, there was a confidentiality agreement between Kissinger Associates and every client that retained Kissinger Associates, a very strict and clear confidentiality commitment on the part of both parties to every client relationship between Kissinger Associates and a client, that neither party would make any disclosure of either the existence of the relationship or of the communications from one side to the other which were carried out in connection with that client relationship.

Senator HELMS. Well now, I do not want to confuse myself, let alone anybody else. Now, you said, I thought, that there was no confidentiality?

Mr. EAGLEBURGER. I thought you asked me, Senator, whether I had signed a confidentiality arrangement personally with regard to Kissinger Associates.

Senator HELMS. What you are saying to me is that there is nothing that you would use as a reason for not responding to my request for information?

Mr. ROGERS. I do not believe he said that, Senator.

Mr. EAGLEBURGER. Senator, let me. I did not at any point sign a piece of paper addressed to Henry Kissinger or Kissinger Associates which said, "I hereby assure you that I will not violate the confidentiality of business dealings between Kissinger Associates and other clients."

Assuredly, Henry and I talked about that subject any number of times, and it was clear to me that I was bound by the contractual obligations that Kissinger Associates had entered into with its clients. But I never signed a piece of paper that committed myself to that with Dr. Kissinger.

Senator HELMS. Well, that's kind of irrelevant, whether you signed it or not. The point is, are you going to use that or are you not going to use that to refrain from responding to the questions that have been posed?

Mr. EAGLEBURGER. I am not going to—let me put it in the negative, which is the way you asked it. I will not be able to go into the specific matters of business between Kissinger Associates or Kent Associates and client X in detail.

I have tried in the long statement here to describe everything, at least in a generic sense, that we have done. I am bound, sir, I am told by legal counsel, and indeed as a matter of principle, I think, I

am bound by the clause in each of the Kissinger and Kent Associates contracts with its clients not to reveal the information, even the names of the clients, unless required by law, which clearly the Ethics in Government Act requires.

I have provided the list of those clients on which I worked to a value of over $5,000, as required by that law. I have tried to go beyond that, in fact, without naming specific clients, to describe the kinds of things the two organizations do with those clients.

But if your question is can I answer specifically to give you a list of all of the clients of Kissinger Associates or can I go into specific detail with regard to what Kissinger Associates or, in the cases of the ones that I worked on specifically, what I did specifically with those clients, I am informed and I think as a matter of principle, having been involved in the organization of Kissinger Associates, that I cannot go beyond a revelation of the names of those clients on which I worked and the general description I have given about what we did.

Senator HELMS. Now, you said "advice of counsel." You are referring to this gentleman here?

Mr. EAGLEBURGER. I am referring in fact in the first instance to Kenneth Juster, who is sitting behind me, with whom I worked.

Senator HELMS. I am sorry, I did not understand what you said.

Mr. EAGLEBURGER. I say, I am referring in the first instance specifically to Kenneth Juster, who is sitting behind me, also from Arnold & Porter. But I am as well referring to the advice given me by Mr. Rogers.

Senator HELMS. Who is also a member of the board?

Mr. EAGLEBURGER. Mr. Rogers is; yes, sir.

Senator HELMS. And he is a member of the board and he is your counsel; right?

Mr. EAGLEBURGER. Correct.

Senator HELMS. We will develop it a little further on the second round.

Incidentally, Mr. Chairman, if my brother was sitting there I would ask the same questions.

But you are not my brother. [Laughter.]

Mr. EAGLEBURGER. But a friend, I hope.

The CHAIRMAN. Senator Biden.

Senator BIDEN. If it would help the Senator from North Carolina, I would be happy to yield part of my time if you want to keep continuity of the questioning.

Senator HELMS. Well, that is all right.

Senator BIDEN. Well, fine.

Senator HELMS. I thank the Senator. You are most generous.

Senator BIDEN. Welcome back.

Mr. EAGLEBURGER. Thank you.

Senator BIDEN. I mean that sincerely. Welcome back to Government. When our paths crossed while you were in Government, I had nothing but the highest regard for your intellect and your integrity.

And quite frankly, you are what I would view—I do not want to overstate it to embarrass you, but I think you have been one of the people with whom I have dealt over the years at the State Depart-

ment that has a little bit of vision, someone who has a capability beyond pragmatism, which is always useful and necessary.

It seems to me, Mr. Eagleburger, that you have described in your opening statement that you came to Government in 1957 and you described a world at a time when it was changing, as well as to make the point how much it has changed since that time, if I understood the statement.

And I am of the view—I am not alone in this view, but then again not everyone shares the view—that we are in the midst of, or at least the beginning of, a period of what might be the most significant change, not only in the last 30 or 40 years, but maybe in the last 100 years, in world affairs.

It seems to me that for the first time in my lifetime—and I am 46—economic ascendancy has eclipsed military capability as a measure of a country's security as defined by that country.

I was surprised by the results of a recent poll published in the New York Times showing that as many Americans thought their security was most closely tied to economic competition with Japan as it was with any competition, military or otherwise, with the Soviet Union.

Every one of our partners, friend and foe, is wrestling with the problem of how to deal with the military juggernauts they either wanted, have, or are losing, because they cannot figure how to do both compete economically and keep these juggernauts in place.

And I would respectfully suggest that the bigger the capability, the more disappointing it has been when it has been employed to settle regional conflicts.

And also, it seems to me, has been that the forces that have effectively prevented war from arising by calculated aggression during the period from just prior to the time you entered the Foreign Service until now, have created an entirely different and I think reasonably serious security threat. That is, a possibility of war arising out of unmanageable crisis, unmanageable interactions, between the Soviet Union and the United States.

Philosophize with us for a moment. I would suggest the Soviets have more ably reacted to the two propositions I put forward—that is, the movement, the ascendancy of economic policy as a measure of security and the changes that have taken place in the correlation of forces, military and otherwise, that have effectively prevented war from calculated aggression—than the United States has.

I do not mean they are better. That does not mean they are right. It does not mean anything they are doing is born out of any new-found moralism, new-found desire to preserve and enhance human rights or anything of the sort, but simply that they are being, to go back and use the word I used in the beginning, more visionary than we are at the moment.

So, what I would like to ask you is the following: Do you agree that we are moving into a period that will be not only potentially fruitful, but in the near term potentially destabilizing, more dangerous, than we have faced in the last 10 or 12 years?

And if you would, in answering that question speak to Eastern Europe as well as West-West relations.

Mr. EAGLEBURGER. Senator, I think you have touched on the fundamental question that American foreign policy has to deal with in

the course of the next—well, from now until the end of the century, because I think that historians of 50 to 100 years from now are going to write about the close of the 1980's and the decade of the nineties as clearly and obviously a time of transition away from one international structure which was essentially since the close of the world war, of balance between the Soviet Union and the United States and those two powers largely determined what went on.

And what the historians are going to say is that by the close of the 1980's and before that the balance had shifted to a much more historically general picture of a world in which there were a number of dominating countries, not simply two.

The problem for us, the United States first and the West in general, is the method by which we make that transition. And it is first of all and most importantly, do we understand we are in that period of transition, and do we understand that how we in the West manage our collective relationship determines how well a number of other issues that can be terribly dangerous, not least of which is the whole North-South question, of which the debt is a part, another one of which is the whole environmental issue—these are all—well, the North-South issue is not new.

But any number of these other issues are new. We do not know how to deal with them. Let me interrupt myself to give you an example.

I think the thing that struck me most coming back after 4½ years of doing something else when I came back here was the realization as I sat there and read through things in the State Department that what has happened in the proliferation of chemical weapons available to any number of countries, combined with the new technologies in delivery systems, has created for all of us a monstrous problem which I think is frankly probably more dangerous than the nuclear problem.

Senator BIDEN. I agree.

Mr. EAGLEBURGER. Because we have learned to manage the nuclear problem, at least to a point. Now all I am saying here is this is a new kind of issue that 10 years ago none of us were thinking about. And I do not mean that it is as fundamental as North-South or East-West. But I do say that unless the West can manage its own relationships, we are not going to be able to deal with any of the rest of these.

Now, you mentioned the Soviet Union. I am absolutely convinced that Mr. Gorbachev is following the line he is following, one, because he is smart as he can be. He may not know where he is going in any detailed sense, but what he has done is he has recognized that the Soviet Union is in a period of transition.

And where it is different is that it is the Soviet Union that is on the way down the hill while we are still on the way up the hill. Difficult as it is going to be to manage West-West problems between now and the end of the century, he has a problem that is far worse than anything we have to deal with.

Senator BIDEN. Agreed.

Mr. EAGLEBURGER. He has got an Eastern Europe that is, in part because of his own liberalization measures in the Soviet Union,

which are basically done for economic reasons—I am convinced of that.

Senator BIDEN. Agreed.

Mr. EAGLEBURGER. He is unleashing a tiger in Eastern Europe, of a series of nations, of peoples who have never accepted the domination of the party. And that process is likely to run faster than whatever we may worry about in Western Europe.

I could go on, and I am taking too long. But my point, Senator——

Senator BIDEN. My time is almost up. Let me add one caveat.

I am one of those who believes that Europe 1992 is going to have more impact upon the restructuring of NATO than anything else that is going to happen, and I would like you to speak to that if you would for a second. I will come back in a second round.

Mr. EAGLEBURGER. 1992 Europe, single-market Europe 1992, is—and I think I said it in here—again, the historians are going to look at it as a seminal event. The question is, do we and they manage that the right way or does it become a closed bloc?

If in fact 1992——

Senator BIDEN. Does it not go beyond that?

Mr. EAGLEBURGER. Yes, that is what I am coming to.

If it is a closed trading system, the rest of us are all in trouble. If it is, on the other hand, an open system, it is the beginnings of the European ability to put themselves into a coordinated defensive posture. It means a whole new Europe some years thereafter, which is far more capable of defending itself.

Senator BIDEN. I appreciate that. Thank you.

I thank my colleagues.

The CHAIRMAN. Thank you.

Senator Lugar.

Senator LUGAR. Thank you very much, Mr. Chairman. I join you in welcoming this remarkable candidate, and I appreciate very much your willingness to reenter public service.

Let me just take a few moments, Mr. Chairman, to set the stage for my questions. Sometimes on our side of the aisle we become fractious and argumentative with regard to foreign policy.

Senator BIDEN. We never do that on our side.

Senator LUGAR. That never occurs on your side of the aisle. But we do that on occasion.

And our President, George Bush, was wise enough to note that there had been a number of strong voices in foreign policy, and he appointed a foreign policy advisory team. It met, to the best of my knowledge, only once with the candidate, but nevertheless it sought to bring together within the Republican Party these very diverse individuals:

Anne Armstrong, former Senator Howard Baker, Zbigniew Brzezinski, Al Haig, Senator Helms, Senator Kassebaum, Henry Kissinger, Mel Laird, myself, Don Rumsfeld, Brent Scowcroft, John Tower, and Admiral Zumwalt.

It is the sort of group that, if it got together frequently, would be a forum for rather interesting conversation. And even on the one instance that it met, it proved to be exciting.

There are within this group a number of personalities who have quite a history in foreign policy. Henry Kissinger is one of them.

He is a person who I think has offered enormous leadership for the United States of America, but not everybody agrees with Henry Kissinger within the Republican Party.

Now, I would hope, Mr. Chairman, that this hearing in no way becomes to a debate about the merits of Henry Kissinger, either past or present or future, and I trust it will not. He does have a noted firm and people come to him for advice, and apparently pay well to do that. That is one discovery we have made.

They do not have to return if the advice is not very good, and the continuity of clients indicates at least some degree of satisfaction.

Now, I would note one thing further and that is, on one occasion in the summertime when I was asked to visit with then-Vice President Bush about foreign policy matters, I was comforted that seated right there on his left and right were Brent Scowcroft and Larry Eagleburger. Whereas I may have been an occasional visitor, they were regulars, and I think this was important with regard to the continuity of the new President's foreign policy.

I would go farther to say that I believe that Larry Eagleburger's confirmation is absolutely essential to the success of this Presidency and to the State Department and to Secretary Baker. I say this because I hope all of us will take this hearing very seriously, as you have, Mr. Chairman, because we are talking about the State Department, its success, and in my judgment, its ability to move ahead.

Larry Eagleburger has been instrumental in that in the past and, in my judgment, will continue to be.

I would like to ask Mr. Eagleburger two questions, one focuses on Panama and the coming election in that country. Can you give an opinion at this point as to the importance of that election, the possibilities for that election in terms of changes in our foreign policy and our relation with Panama? Can you also give guidelines of things the committee ought to be thinking about as we approach the election, which comes in early May and will be upon us perhaps before an Assistant Secretary for Latin American Affairs is in place, or many of the other persons that might normally be involved in that sort of situation?

Mr. EAGLEBURGER. Senator, I can give you some personal thoughts as long as they are not assumed to be thoughts of the administration, because this is a subject that at the moment I know is under consideration. And since I have been hiding out in a back office trying not to know what is going on in the State Department, I am not sure I know exactly where the thinking is.

But my own sense of things, and this really comes from watching the process from outside, is that I hope we have learned one thing, which is that, do not undertake actions against someone you do not like unless you think you can succeed.

So that the first principle I think I would say I think we have to think through as we deal with Panama from now on is, what are the tools available to us—let me go back to say, it is clear to me that Mr. Noriega is not somebody that we ought to be having any truck with. I mean, start there.

Now, how we deal with that in terms of the Panamanian situation right now is much less clear to me, because I am not at all

sure what the tools, what the weapons, what the methods of leverage are. There are certainly some left, I think, that are economic.

With regard to the election itself, it is my prediction right now that there is no reason to believe it will be a fair election. It is also fairly clear, on the basis of what I have seen about the situation, that indeed if there were a free election in Panama, Mr. Noriega would be out and out by a huge defeat.

How we manage the process of doing much more than insisting on and making everybody recognize that they will have to watch that election to see how honest and fair it will be—and as of now my prediction is it will not be—I cannot give you any specifics, other than to say we need to think through the tools available to us with regard to handling the situation in a way in which Mr. Noriega is not there forever.

Senator LUGAR. Could you give a comment about the multilateral aid initiative for the Philippines. How is it proceeding in the State Department and in the relationships that we have with potential investors and donors in Japan, Europe, Singapore, and elsewhere?

Mr. EAGLEBURGER. Again, Senator, I know of the initiative and I know there is a great deal of work going on right now with regard to it, particularly in regard to the Japanese contribution to it.

My general sense is that things are moving along, but I do not have any specifics beyond that. It is not something I have had the chance to spend much time on.

Senator LUGAR. We heard a comment this morning about the need for acceptance of more refugees in the United States. I note that the Secretary of State has moved in very important ways in that respect.

Could you describe your overall view of the problem that this Nation faces?

Mr. EAGLEBURGER. Well, it is fairly clear right now, particularly given the fact that we are coming in with a request for a $100 million supplemental, that we have a monstrous problem, and that we are neither—"bureaucratic" is the wrong word—we are neither administratively nor financially capable of coping with it as it stands now.

The numbers are too big. People have backed up and a lot of people are living in unpleasant circumstances as they wait for this to move.

This is not, I think, to say that I think the U.S. Government has not done its job. It is that we are now faced with something that has become surprisingly large, particularly with the fact that the Soviets are now letting more Jews out of the Soviet Union.

And it is clear to me as well that this is not a problem that goes away in a year or two, and the United States is going to have to come to grips with the fact that we need, one, a larger administrative mechanism to deal with these refugees, because I think it is going to be a long-time problem with us; and second, we are going to need a lot more money.

Beyond that, again, I do not think I have any great insights. But it is not a problem that is a 1-year problem in my judgment. It is going to be a problem for the rest of the decade.

Senator LUGAR. Would you answer two refugee questions for the record. They are specific items and you may not have the relevant facts at hand. But one pertains to refugee ceilings and boat people. Apparently because our ceiling was reached, boat people from Vietnam were bumped from the refugee list in order to accommodate additional refugees from the Soviet Union, not only Soviet Jews but Armenians, as I understand it.

Specifically, I would like to know what will be the position of the United States with regard to the boat people who are in a small refugee camp near site 2? Site 2, as you know, has 170,000 Cambodian refugees on the border of Thailand and Cambodia.

I visited both camps in January. The disposition of the Vietnamese is not at all clear, and news came while we were there, as a matter of fact, that their situation might be deteriorating. Malaysia and Thailand have recently apparently taken a harsher line with regard to boat people in terms of screening their motivation for being there.

I would appreciate your judgment on this issue.

The second is a smaller problem, but an important one. I have received word that a number of Pentecostals, Christian Pentecostals, in the latter part of 1988 for various reasons were not given permission to leave the Soviet Union. They had the same refugee status, apparently, as Armenians and Soviet Jews, but for some reason did not make the list.

This has been a source, understandably, of considerable concern in the Christian community in this country, as well as in the Soviet Union. If you could check into this issue, you may find some remedy with regard to the emigration of Pentecostals.

Many times Pentecostals in the Soviet Union want to stay and want better conditions and human rights, but in this case these individuals, about a hundred I understand, were not able to leave.

Mr. EAGLEBURGER. I will check into it, sir.

Senator LUGAR. Thank you very much.

The CHAIRMAN. Thank you very much.

Senator Sarbanes.

Senator SARBANES. Thank you very much, Mr. Chairman.

Mr. Eagleburger, welcome to the committee.

Mr. EAGLEBURGER. Thank you.

Senator SARBANES. I want to ask a few questions about your undertaking with respect to recusal, in light of your private activities since leaving the Government and now your proposed reentry into it. I take it what you are proposing to do is to recuse yourself from matters involving any client of Kissinger Associates with whom you consulted yourself; is that correct?

Mr. EAGLEBURGER. Right.

Senator SARBANES. For a limited 1-year period?

Mr. EAGLEBURGER. One year.

Senator SARBANES. What is the thinking behind that?

Mr. EAGLEBURGER. Senator, this is essentially what was recommended to me by the Office of Government Ethics. We had discussions with them. The normal State Department procedure, I understand—I did not know it until I got into this—is not to recuse for a period of time, but rather to do the recusal on the basis of when an issue comes to you.

So, this goes beyond the normal State Department practice. In discussions with the Office of Government Ethics, it was their recommendation that, in order to avoid any appearance of conflict, I recuse from those firms or those clients for a period of 1 year. So, I accepted their recommendation.

Senator SARBANES. Now let me ask you this question. Was your recompense at Kissinger Associates tied only to clients whom you advised, or was your recompense at Kissinger Associates in effect the product of all of the clients?

Mr. EAGLEBURGER. It was the product of all of the clients, Senator.

Senator SARBANES. All right. Now, as president of Kissinger Associates were you aware of who the clients were?

Mr. EAGLEBURGER. If you were to ask—I will get to the answer, but if you were to ask me right now to list all the clients, I would miss some.

Can I give you 2 minutes to describe what I did as president?

Senator SARBANES. No.

Mr. EAGLEBURGER. OK. All of them I would not be aware of; no.

Senator SARBANES. Well, but most of them?

Mr. EAGLEBURGER. Most; yes.

Senator SARBANES. So, you know in your own mind that there are clients of Kissinger Associates who contributed in effect to the treasury of the organization?

Mr. EAGLEBURGER. Right.

Senator SARBANES. From which you were recompensed, to whom you did not give advice, from whom you are not recusing yourself?

Mr. EAGLEBURGER. That is correct.

Senator SARBANES. But did you consider recusing yourself from all clients of Kissinger?

Mr. EAGLEBURGER. No, Senator. The answer is "No, I did not." Again, the discussion with the Office of Government Ethics, they limited it to this.

Senator SARBANES. Did you see the story in this morning's paper about the National Security Adviser, Brent Scowcroft?

Mr. EAGLEBURGER. Yes, I did.

Senator SARBANES. Now, this said that he had removed himself from decisionmaking affecting some 70 companies, 70. You recused yourself from what, about 15 companies I think?

Mr. EAGLEBURGER. Something like that; yes, sir.

Senator SARBANES. Some 70 companies, including such corporate giants as the General Motors Corp., the General Electric Corp.

Then it goes on to say, he was unable to specify for whom he provided services as a consultant for Kissinger Associates. Former Secretary of State Kissinger, who heads Kissinger Associates, "denied my request for a list of the clients for whom I worked," Mr. Scowcroft said in a letter about his financial reporting form to Mr. Gray, the White House counsel.

I guess the question is, you worked for people in the private sector and now you are going to come into Government, which means you are going to be making governmental decisions that may affect the particular interests of these people in the private sector.

And therefore, in order to lift the cloud of skepticism that your Government decisions might be made to, sort of, benefit people with whom you have now broken all connection but who had previously been paying your salary, compensation, you want how to recuse yourself so no one can say, "Well, he made a decision publicly in his Government role that benefited this private party who previously had been a client of his consulting firm."

I think that is an important sensitivity and I think you have tried to respond to it in part. But it is not quite clear to me why the problem does not remain with the other clients of Kissinger Associates, even if you did not directly give them advice, since their payments to Kissinger Associates in effect then became payments to you, at least in part.

Mr. EAGLEBURGER. Can I comment?

Senator SARBANES. Surely, surely. I am trying to work through the situation with you.

Mr. EAGLEBURGER. I understand.

Senator SARBANES. Because I have a high regard for your substantive talents and abilities, and I think you had a distinguished career of service in the Foreign Service.

Mr. EAGLEBURGER. I understand your point.

Senator SARBANES. But I think there are some matters here that need to be addressed.

Mr. EAGLEBURGER. I am in the awkward position of talking about Scowcroft, and it is my understanding—I have to be careful here; it is what I understand, it is not what I am certain of of my own knowledge. But for example, I think there is a confusion arising out of this article.

When he mentions the 70 companies, those are not, I am 98-percent convinced, Kissinger Associates clients. I can tell you right now, we had nowhere near 70 clients. So, these have to be something else, and I suspect they have to do with stockholdings. But I don't know, except I know they are not Kissinger Associates clients.

Senator SARBANES. Well, let us put that to one side.

Mr. EAGLEBURGER. OK.

Senator SARBANES. Because even if that were not here, the question would still remain.

Mr. EAGLEBURGER. I understand. It is just that I did not want to leave an impression that there were some 50 clients out there that I had not recused from, that is all.

The other point, with regard to the entire list of Kissinger Associates clients, I understand. What can I say other than that I will undertake at this point to talk to my legal counsel and the Office of Government Ethics. I do not want to leave any impression of a conflict of interest. And if you raise, Senator, this as a question, it is one I think I have to look at.

At this point, that is the best I can say.

Senator SARBANES. Well now, I take it you read the confidentiality arrangement between Kissinger Associates and its clients as extending not only to the advice provided by you or the information given by them to you, but also as to the existence of the relationship at all?

Mr. EAGLEBURGER. That is correct.

Senator SARBANES. Now, in this instance, though, you at least for a certain number of companies provided that information. Now, how did that transpire?

Mr. EAGLEBURGER. The Ethics in Government Act requires that you reveal the names of those clients for whom you worked to a value of over $5,000, and those are the names I have provided.

In other words, I worked—the law gives as an example a law firm, but it makes it clear it is an example. A lawyer who works for 20 clients of a law firm with 150 clients reports 20. I am more or less in the same situation. I worked on a body of clients with Kissinger Associates, not all of them.

And the confidentiality clause in the contract between Kissinger Associates and each of the clients limits the revelation of the association or what we did, except as required by law. And the law requires me as I come into this situation to reveal those lists, those clients I worked for to a value of over $5,000.

Senator SARBANES. If Henry were before us going back into the Government, what client list do you think he would present?

Mr. EAGLEBURGER. He probably, since at one time or another he has probably worked on all of them, he would be faced with a much longer list, but because he has worked on them at one point or another.

Senator SARBANES. I am not sure that working on them is as pertinent a consideration as the fact that your compensation is drawn generally from the associates, and the associates draws its compensation from all of its clients and their fees.

Mr. EAGLEBURGER. We are now getting into a question of the law, where I can only say to you that the Ethics in Government Act makes it clear——

Senator SARBANES. Do you personally have a problem in saying that you want to at least make this disclosure of who the clients are, so that people will know that you are not in the position of making public decisions that relate to your clients in your previous private life?

Mr. EAGLEBURGER. Do I personally have a problem? As long as we are narrowly focusing it on the question of recusal, I do not personally have a problem. But I have a contractual problem, I think. And if you want, I could ask my lawyer to come up here and talk to it.

Senator SARBANES. Well, fine, I would be happy to.

Mr. ROGERS. Senator, I think the contractual provision in the contract between Kissinger Associates and its clients, which I think has been made available to you, proscribes the public disclosure of the identity of clients, as well as the nature of the communications between the clients and the firm.

But I think it would not be a violation of the contractual provision if those clients for whom Mr. Eagleburger did not work and therefore whose disclosure is not required by law, which is what exempts the list of clients from the provision, were kept confidential, but he were to recuse himself from those clients effectively; in other words, without disclosing the list of clients, to have him make a representation that he would not be involved in matters directly affecting them for the same 1-year term.

That I think would not be a violation of the contractual provision and would accomplish the objective.

Senator SARBANES. Let me think about it. Could I ask——

Senator BIDEN. Can I ask unanimous consent that——

Senator SARBANES. If the Senator from Kansas would yield me just a moment.

Senator KASSEBAUM. All right, if Senator Cranston would yield time.

Senator CRANSTON. I yield whatever time is needed.

Senator SARBANES. I am also interested in why the 1-year period was selected. Why would the recusal last just 1 year?

Mr. EAGLEBURGER. Sir, as I indicated, this was suggested to us by the Office of Government Ethics as what we ought to do. I accepted it. I do not know what their rationale was for it other than, as I pointed out, to say it goes beyond the normal practice of the State Department.

But I accepted their proposal to take a 1-year recusal.

Mr. ROGERS. I think, Senator, it was by an analogy to the legislation of this Congress, the Ethics in Government Act, which prescribes a 1-year cooling off period after you leave Government.

And I think, as I understand it from conversations with the office, he did not have to do this. This is not—this goes far beyond what is customary for officials in the Government. But the suggestion was that in order to avoid even an unreasonable appearance, that they adopt essentially that same 1-year cooling off period which applies to exits from Government to a company in a particular case. That's where it came from.

The CHAIRMAN. Thank you very much.

Senator Kassebaum.

Senator KASSEBAUM. Thank you, Mr. Chairman.

First I would just like to say to Mr. Eagleburger that I think your opening statement was very thoughtful, keenly observant, and is illustrative of always the kind of advice and counsel that you have given in your service to the U.S. Government.

I would like to, before I ask any questions, start with a statement of my own calling again to the crisis that we are facing in Sudan. I personally think that we are unprepared for the great tragedy that could come to that country, and have welcomed the statements that President Bush and Secretary Baker have made regarding the need for efforts there to allow food shipments to get through before the rainy period starts in a matter of a couple of weeks.

This is the kind of advice that you will be giving, I assume, and working on as Deputy Secretary of State. And I simply find it amazing that we are tying ourselves into knots on these questions of conflict of interest, which seem to me to not be pertinent to policyshaping.

But I do not know if you have any additional thoughts on Sudan at the moment, Ambassador Eagleburger. But if you do and if you have any suggestions of what we could do for a government that is about to fall, thousands of people facing starvation, I would welcome them.

Mr. EAGLEBURGER. Senator, you saw, I think, the white paper and statement that the administration issued on hunger in Sudan. I do not really have anything else to offer, other than to say Sudan

is a classic case of a human tragedy where, because the parties are what they are, the parties to the conflict are what they are—and Ethiopia is another one—where they stand in the way of perfectly legitimate efforts simply to feed people.

And it becomes very difficult, if not impossible, for us to do very much about it without going and shooting, and that I think is clearly not possible.

The Sudan is a tragedy right now, and the parties to the conflict are, all of them, more intent on their conflict than they are on the people that are suffering. And Ethiopia is another case that is like that.

Senator KASSEBAUM. You mentioned in your opening statement that our job is to make sure that the process continues—you were speaking of the withdrawal from Afghanistan by the Soviet Union—and that Soviet restraint continues to be in the Soviet interest.

I thought your whole analysis of East-West relationships and what is happening in the Soviet Union was very interesting. But you did not really mention regional conflicts and how this could play out perhaps in the Middle East or Central America.

And if you would take Central America first, I would be interested in your thoughts regarding what we could do, if we could do more in pressing the Soviet Union to come to grips with their involvement there, their withdrawal from supporting the Sandinistas in Nicaragua or the relationship with Cuba.

Mr. EAGLEBURGER. The regional conflicts issue in general, first of all, Senator, I did not touch on it because I think it is part of the East-West dynamic and an important part.

But what I was really trying to describe is, if the West does not stay together we cannot handle any of these East-West problems. But now, with regard to the regional issue specifically and Central America specifically, I think there is more we can do with regard to the Soviets, and it is clear to me that Secretary Baker not only intends it, but has started it with his first meeting with Shevardnadze.

I think there is more we can do, as long as everyone understands that on occasion simply talking about it with the Soviets, without making it clear to them that there is some pain if they continue to proceed in a manner that we do not find acceptable is a likely consequence—they got out of Afghanistan for a whole host of reasons, but there was pain involved for the Soviets that led them to get out. They would not be out otherwise.

I think there is a broader question here with regard to regional conflicts which we ought to think hard about, and that is I am convinced that in part you see the Soviets beginning to pull back because of fundamental economic reasons I was talking about earlier.

I think they are in terrible economic trouble, and I think Gorbachev has realized they are overextended, and I commend him for the fact that he has realized the Soviets are overextended and are beginning to try to pull back. Nicaragua is expensive for him, Cuba is expensive for them. I think it is clear—more Nicaragua than Cuba, I think, in the sense that there is probably more likelihood that we could persuade the Soviets to begin to draw back with

regard to Nicaragua. I think there is not much chance with regard to Cuba, at least for the moment.

I think there are some chances to begin to convince the Soviets that they ought to be reducing their assistance to Nicaragua. We have to—I use the terrible word, "linkage," and I do not mean it in the sense that we specifically say, unless you do X in Nicaragua we will do Y in the START talks.

That is not what I mean. But they need to understand that linkage exists in fact, whether we link it to specific activities or not. Simply the psychology of our relationship with the Soviets means there is linkage.

If the Soviets are clear in their own understanding that we will be less generally responsive if they do not begin to do some things in Nicaragua, combined with their own economic pressures at home, if we can develop that kind of a balance, and I would say as well on occasion we are going to have to be prepared to give some, I think there are possibilities we can begin to get the Soviets to back away a bit in Nicaragua. And we clearly are intent on trying.

It is a different case in the Middle East, where the first question we have to ask is whether there is any sense in having the Soviets involved in the Middle East or not. I think that is a tougher question.

I mean by that, they obviously are involved, but I mean by that trying to work with them in bringing about some relaxation of tensions in the area. That is tougher to answer.

Senator KASSEBAUM. Do you have any observations that you would care to make on Mr. Shevardnadze's trip to the Middle East?

Mr. EAGLEBURGER. Yes. One of the things that always used to drive me absolutely batty with regard to the Soviets, no matter how much they—that is not a word you use in the Senate, I am sorry. What would upset me——

Senator KASSEBAUM. Well, many do.

Mr. EAGLEBURGER [continuing]. Was that previous Soviet regimes simply could not contain themselves when they saw an immediate target of opportunity, and they would enter into the thing, disrupt their relationship with us. And I had begun to think, and in fact I still do, that the new Soviet regime was more conscious that that sort of immediate temptation, which then is acted on, can have a very deleterious effect on the long-term relationship with the United States. I think Gorbachev certainly understands that better than his predecessors.

All that having been said, the thing that bothered me the most out of the Shevardnadze visit to the Middle East was the visit to Tehran and playing that game in the middle of all of the debate over the book and the threat to kill the author and acting in Tehran as if the Iranian Government was not responsible for all that.

And clearly—"clearly" is too strong a term. I began to wonder whether he had not fallen back into the old trap of saying: "Ah-hah, here is an opportunity; the Iranians and the West are in a dust-up right now and I ought to go there and play a little game here, because I may be able to make a little mileage."

Now, I do not want to draw too broad a conclusion from that, but I thought that was an unfortunate performance, to put it mildly.

And again, the Secretary I know, and it has been in the press, raised that subject with Shevardnadze when he saw him.

Aside from that, all I can tell you is, in talking to a few people who are involved in the Middle East, not Americans, their general feeling was that the trip demonstrated a real desire on the part of the Soviets to become involved in the Middle East, but at the same time they were not at all clear that Mr. Shevardnadze knew precisely how he wanted to become involved.

In part, it is again a question of, they want to be seen to be involved in important issues, but they have not quite sorted out what role they want to play. I do not basically condemn the trip, except with regard to that Iranian visit, which I thought was gameplaying of the worst sort.

Senator KASSEBAUM. Would you have any thought that it might be more than gameplaying, but actually they see this as an opportunity that will provide them with some of the goal that they had hoped to achieve perhaps with Afghanistan?

Mr. EAGLEBURGER. I do not want to go too far with that, but I think he went to Tehran because he saw an opportunity to perhaps dig the Soviet roots in a little bit deeper with regard to Iran and to take advantage of a particularly tough time in Iranian and West European and United States relationships, to try to further their own interests in Iran.

Senator KASSEBAUM. All right. To move to Lebanon for just a moment, because I think again this is a country facing tragic, tragic crisis. And it was brought home again in the papers this morning.

I was in Syria in January and the discussion with President Assad largely was about the role of Syria in Lebanon and what we were doing to encourage them to try to find something constructive there to work on. And the paper this morning I believe reports the leader of the Christian troops, the Lebanese Army, as saying that they are determined to fight until all the Syrian troops are out of Lebanon.

Do you think that there is any prospect of solving Lebanon's constitutional crisis?

Mr. EAGLEBURGER. At the moment, no. No, Senator, I do not believe so. I think that they are so torn, the hatred is so high, that I am of the view myself that Lebanon is a continuing tragedy, and we will see it in much the same condition a year from now as we see it now.

I do not see any real hope for change. And in fact, I hate to admit it, but if the Syrians were to withdraw I suspect things would be worse rather than better. They at least maintain some constraint on the warring parties.

Senator KASSEBAUM. But if they withdraw, might that create a different environment, which of course obviously someone else is going to move in and try and fill the vacuum?

It seems to me that at this juncture someone would have to provide a lightning rod for some leadership. Is there anybody out there?

Mr. EAGLEBURGER. I do not see them, and I am afraid if—well, the first point you make is right, if the Syrians withdraw somebody else comes in. But the internal dynamic in Lebanon is so unstable

that I see very little likelihood that, at least for some time to come, there is any hope that the internal forces will themselves be able to return to a situation of stability. I am very pessimistic.

Senator KASSEBAUM. I do not know what the answer is, but that is a very disheartening answer. And I cannot help but think we should be trying to find some other path to try.

Thank you.

The CHAIRMAN. Thank you.

Senator Cranston.

Senator CRANSTON. Did you have all the time you needed?

Senator KASSEBAUM. Thank you, I did.

Senator CRANSTON. OK.

I welcome your nomination, not only because of your own talents, but because of your Foreign Service background. I think it is great to have somebody chosen for the Deputy spot who has that background.

On the matter of the recusal, I would like to ask one question about that. It is not totally clear to me on one point. Are you doing what the State Department normally does or are you going further? My impression is you are going quite a bit further.

Mr. EAGLEBURGER. As I understand it—and I only learned this in this process of doing this recusal—I am going further, Senator. The normal State Department practice, I am told, is not for any period of time, but simply to identify that, if an issue comes to you that you think you should recuse, you do it.

Because the Office of Government Ethics asked for a year, I have said, "Fine, I will do it."

Senator CRANSTON. Thank you very much.

The President has made clear in various ways that he intends to have and is now having a survey made of our relationship with the Soviet Union, the problems, challenges, and opportunities that exist in that relationship. I gather he feels there may be an opportunity to make very substantial improvements.

Could you give us any hint of what that survey is embracing, when it might be done, and how the opportunity is seen by the administration?

Mr. EAGLEBURGER. Senator, I am in the awkward position, as I said earlier, of having hidden in the back office all this time and not really gotten involved in any issue that could be then seen as assuming confirmation.

I know the study is going on. I have had some general talks with some people who are involved in it, and I can say there is no question that the President and the administration see some real opportunities for some major movement.

I think they also see some cautions that have to be kept in mind. How soon it is going to be done, I do not know. Clearly, we are going to have to be well along the way—well, we are really going to have to be pretty well finished with this before the Secretary goes off for a longer meeting with Mr. Shevardnadze.

The arms control side of it I think will clearly be done by, I think it is—well, do not hold me to it. It is either the end of this month or early next month. And I am not sure of the exact date, but I would not expect the study, either the arms control piece or

the broader question of the review of the United States and Soviet relations, to take very much longer.

And I think you are right to believe that a part of it will be, all right, where are the opportunities? How can we really go about trying to change the history of the relationship? What are the cautions as we proceed? But let us accept the fact there have been changes there and we should not therefore assume that we cannot move farther than we have.

Senator CRANSTON. Thank you very much.

I presume that there is at least hope that both the dangers and the costs, which have been so immense in the adversarial relationship, can be dramatically changed?

Mr. EAGLEBURGER. That is true, there is no question.

Senator CRANSTON. One other question. You referred to something you wrote several months ago about Japan, and you said at that time one possible answer is to involve Tokyo more intimately in Western councils. Might it not be appropriate to consider whether or not there are ways to set up some mechanism, some forum, where not only Japan but other Asian countries could be involved in an ongoing discussion of mutual interests and problems and opportunities?

Mr. EAGLEBURGER. Absolutely. The piece, the little piece that I quoted, was from a longer piece that was not just on Japan, but was again a longer piece on the general subject of my opening statement; namely it is West-West that counts in the next decade, because if we can manage that relationship we can manage the others.

And by "West-West" I mean Japan, and I mean a good bit of the Pacific Rim. I do not exclude them at all. I think we probably have to start with Japan, at least in the sense that—and this is my own prejudice; I have no idea what the administration thinks.

My prejudice is that we have not found the right way to carry on a dialog with Japan yet. The interesting thing about the trans-Atlantic relationship is that you have got all of these institutions which take the highs and the lows out of the day-to-day relationship. They almost act like, if you know anything about hi-fi, a Dolby system. They kind of bring the highs and lows back into some balance, so that even when we are fighting, a real knockdown, dragout fight with most of the Western European allies, we bureaucrats are going back and forth in the normal institutional system and things work.

We have less of that with Japan. I think there is a crying need for more of it. I do not know, Senator, that I could describe to you, Senator, what the institutional system ought to be.

I am also equally convinced that, unless we bring Japan into a framework in which the United States, the EC, Western European nations and ourselves, are talking, we are going at cross-purposes, too. And that is terribly complex and I do not have the formula, but I am convinced it is the only way we are going to begin to get at this question of in part bringing Japan into the kind of international role that its economic strength demands.

The next step is you have to involve some of the other nations on the Pacific Rim. There you have a little bit of a problem of their own views of Japan, being overwhelmed by Japan. And I suppose,

frankly, they would feel more comfortable in an arrangement where we were there, too, not just the Japanese.

So, yes, I think it has to be done. I am not sure I know how to get it started. That is the problem.

Senator CRANSTON. I should think that that latter point you are expressing, that involving other nations over there, too, after first perhaps consulting with Japan on the way to go, would be wise, because many of them have concerns about the economic might and the increasing military strength of Japan.

Mr. EAGLEBURGER. That is correct, that is correct.

Senator CRANSTON. Given past history, if they could feel that they were involved with us it might be a sort of a counterbalance.

Mr. EAGLEBURGER. I agree.

Senator CRANSTON. Thank you very much.

Mr. EAGLEBURGER. Mr. Chairman, may I ask a question?

The CHAIRMAN. Surely.

Mr. EAGLEBURGER. Will I be thrown out of here if I light a cigarette?

The CHAIRMAN. Not at all.

Mr. EAGLEBURGER. I went an hour and 45 minutes.

Senator CRANSTON. Congratulations.

The CHAIRMAN. Senator Boschwitz.

Senator BOSCHWITZ. Thank you.

As you were lighting up there, I would just like to say that I am sorry that I missed your opening statement, which I have read and I like very much and it certainly expresses some of my viewpoints.

I agree with the Senators who have said that you are really a distinguished choice for this position. I also agree that it is good that we have someone with your foreign policy and State Department background. I have even recently been heard to say that the President should have a right to choose who he wants in his Cabinet. I lost the last fight, I might say, on that.

But nevertheless I hope that we, Mr. Chairman, can expeditiously confirm this nominee. As I see the interest a little bit waning here as the Senators leave, I hope that is a sign that we will be able to vote on the nominee even today.

I would say to the chairman that I hope that we can vote on this nominee even today, because we have a 2-week recess coming up and it would be good to confirm him early on.

The CHAIRMAN. Well, I fervently wish that and I will do all that I can to expedite it.

Senator BOSCHWITZ. Good. I will be happy to help you.

I might say, in a lighter vein, you are the first nominee who has ever come here with three children with the same first name, also the first one who speaks Serbo-Croatian, which certainly would be helpful in certain parts of northern Minnesota.

But in a more serious vein, this has been a good decade, and you alluded to that in your opening statement. I think that there has been a decrease in tensions around the world. I think it is probably the most peaceful time of my lifespan.

And also I note that some very important countries have moved toward democracy, whether it be Turkey or Pakistan or Bangladesh or Korea or the Philippines, in this decade, and most of South

America, with the exception of Chile and Paraguay. All of those countries in this decade advanced in becoming democracies.

I am sorry that we do not get more credit for that. I am also sorry that we do not get more credit for pushing the Soviets to talk about some arms reductions.

These are things that we have been promoting for quite some years. So, my first question is rather general. This is a pretty good time in the history at least of my lifetime. It is the most peaceful time, and the time of most rapidly developing democracy in the world. How do we gain some credit for these achievements?

Mr. EAGLEBURGER. That is the toughest question I have been asked today, even including some of Senator Helms', because I do not know the answer to how we get credit for it. That is part of my problem.

It is true, and you alluded to it, the Soviets have been playing off our agenda basically, on the foreign policy issues, basically since Gorbachev walked into office. And when he comes forward with these major initiatives—and I give him credit for doing it; nobody else has been able to do it in the Soviet Union before.

But when he does it, he is basically moving to accept proposals or to propose things that we have already ourselves in the West proposed. Now, in part he gets the credit because nobody has expected it of the Soviets. And there is no question, they can move faster on the propaganda front than we in the West, for a whole host of reasons.

One of the things we need to remember, I think, in fact in trying to cope with this question of public relations and Mr. Gorbachev is, first of all, we are a democracy ourselves, which means there is a great deal more debate that has to go on before we make our own decisions.

Second, we deal with an alliance that is not one we can dominate, the way they can make decisions for the Warsaw Pact. So, we are inevitably slower.

I wish there were ways to make it clear that the Soviets are reacting to our agenda. We say it all the time. I think by and large in the United States it is probably recognized, although even there probably not as clear as it should be. In Western Europe it is simply not recognized clearly in the body politic throughout Western Europe.

When Gorbachev does something, he gets tremendous credit for doing what we have been saying for 5 years he ought to do. And I do not know how you deal with that, because in part there is a wish fulfillment here, I think, in Western Europe, where they have, you know, oh we do not have the enemy we used to have and it is wonderful, they are the guys who have changed.

Well, they have changed somewhat, but they have changed because of what we have said.

With regard to the question of democracy, there is no question that we have come out of the last 8 years with far more democracies around the world than was the case when we entered that era.

It is also true I am worried about some of them, because the economic situations are dangerous, and it is one of the reasons I was—we all ought to be grateful, I think, to see that Secretary Brady and the administration are moving on that debt question.

But do not ask me the specifics of how you deal with it, because I would be silent very quickly. It is too complex for me.

But my point again is there is real success, and in large part because of what we have done. But I have spent a long time telling you I do not know the answer to your question, Senator. I do not know how we take more advantage of it.

Senator BOSCHWITZ. To retain a democracy in a Brazil with 1,000 percent inflation, or in Peru with 1,700 percent, it is quite a testimony to those countries that they still have elected officials under those circumstances.

I was deeply impressed and really frankly deeply moved by the commitment of former Secretary Shultz to human rights, and he placed it high on the agenda of all bilateral meetings with the Soviets. He did not say as his Russian counterpart was leaving the room, "Say, oh, by the way, I want to talk about human rights."

It came up early and often and aggressively. Do you expect that to continue? Sometimes our national interests seem to be in conflict with human rights. Could you briefly talk about balancing those?

Mr. EAGLEBURGER. I think you will find no difference in administrations, both in administrations or indeed between Secretary Baker and Secretary Shultz, on the emphasis on human rights.

You now touch again on a much tougher question, which is the balance between human rights issues and bilateral issues. And indeed, it does not relate simply to the question of human rights. You have got it on terrorism issues, you have got it on chemical weapons issues, any number of these issues where I can assure you some of my colleagues in the State Department will always be arguing that the bilateral relationship outweighs the question of this more functional issue of human rights or any number of these other questions.

My sense, and that is all I can say at this point, having spent not much time in Washington with the new group, my sense is you are going to find the administration and the Secretary generally tending to give more weight to the functional questions; for example human rights.

I cannot argue that there will not be times when bilateral questions will be so important that we have to be less forceful on a question than you might wish. And again, there is also a balance between how you best think you accomplish the end in mind, which is an improvement in human rights.

But my basic judgment is this administration you will find, I think, putting more weight on the functional questions than the bilateral. Example: George Shultz, my understanding, certainly while I was there and then my understanding thereafter was, when it came to a debate between the people on the terrorism side, who said country X is involved in terrorism and we must do something, and the regional people came in and said, ah, but no, wait a minute, we have got, and they go through their song and dance, George Shultz was very clear the terrorism issue outweighed in almost every case.

I think you will find that same sort of approach with this administration.

Senator BOSCHWITZ. I am pleased to hear that, and the consistency in that I think is very important.

You spoke in answer to Senator Kassebaum's question about pessimism regarding Lebanon. I wonder if you would speak about the Middle East in general, and briefly because I have a couple more questions. Briefly, the Middle East in general. That is of course where the chemical weapons are the greatest threat.

But are you pessimistic or optimistic about the Middle East, Israel versus its neighbors?

Mr. EAGLEBURGER. You mean on the peace process?

Senator BOSCHWITZ. The peace process.

Mr. EAGLEBURGER. I am mildly optimistic at this point on the peace process. We have begun, as you know, with Moshe Arens having been here and the Prime Minister coming soon.

We have some ideas about how to begin making the process work again, and I would emphasize they do not include some made-in-Washington plan which is then sort of put out there for everybody to shoot at, but rather a process of trying to bring the various parties to the conflict into the process, of trying to find ways to begin to move through small steps. I am mildly optimistic on it.

Senator BOSCHWITZ. I must say I share that mild optimism.

May I ask a final question, Mr. Chairman? It will be quite brief.

The CHAIRMAN. With unanimous consent.

Senator BOSCHWITZ. Thank you.

The Soviet Union has indicated it will try to obtain export licenses for United States-built satellites so that they can be launched on Soviet-built Proton missiles. For obvious security reasons, United States law and policy prohibits the export of American-built satellites to the U.S.S.R. and other Western-built satellites that are controlled by COCOM.

George Shultz reiterated that policy toward the end of his term. Does the administration, the new administration, continue to support this policy?

Mr. EAGLEBURGER. As far as I know, absolutely, no change.

Senator BOSCHWITZ. Thank you.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Pressler.

Senator PRESSLER. Thank you very much.

Let me ask you some questions on Yugoslavia, because you are such an expert in that area. If these have been covered, please tell me; I will read it in the record. I have three committees going this morning.

Mr. EAGLEBURGER. They were not covered.

Senator BOSCHWITZ. He speaks the language.

Senator PRESSLER. Yes indeed, he has been the Ambassador there.

In the area of human rights in Yugoslavia, we have heard a lot of discussion lately. We have heard that that country is coming apart because of ethnic conflicts. I just want your analysis. It was my privilege to visit Yugoslavia a few years ago, and I must say I am perplexed by all the things that go on there.

Now, I understand you are a friend, a close friend, of the head of the Serbian Communist Party?

Mr. EAGLEBURGER. Not correct, sir. I know him. I am not a close friend.

Senator PRESSLER. All right. Well, you are an acquaintance. And that is not accusatorial.

Mr. EAGLEBURGER. No, I understand.

Senator PRESSLER. It is a friendly question.

And his name is Mr. Milosevic?

Mr. EAGLEBURGER. Milosevic.

Senator PRESSLER. I will not try to say his whole name, but you can pronounce it.

How would you characterize his political actions over the past year? Have they been helpful or harmful to Yugoslavian interethnic relations?

Mr. EAGLEBURGER. Very harmful. Do you want me to develop that a little?

Senator PRESSLER. Yes.

Mr. EAGLEBURGER. Let me start by reminding you of a statistic. In the Second World War, Yugoslavia lost more people per capita than any country in Europe other than Poland, and about 50 percent of those Yugoslavs were killed by other Yugoslavs.

It has a long and unpleasant history of nationality antagonisms, which during the Second World War went far beyond antagonisms. Some of the most hideous violations of human rights, if you will, were committed by Serbs against Croats and Croats against Serbs, and the nationality question was an awful mess.

With the close of the war, one of the things that Marshall Tito worked very hard on, and many of us thought with a certain degree of success—and I am now not so sure I was right—was to put that nationality cat back in the box and to try to build a sense of Yugoslavianism, rather than the nationality question.

And by and large, while he was alive that worked. What we have seen since, however, and within the last year most particularly, is for a host of reasons, internal political economic reasons, the reemergence of the nationality question in a very dangerous way.

And Milosevic is very much a player in that game. There is no question in my mind that Milosevic is in terms of economics a Western market-oriented fellow. He wants to see a more liberal economic system. But politically he is anything but a liberal.

He is playing on and using Serbian nationalism, which has been contained for so many years, in part I think as an effort to force the central government to come to grips with some very tough economic problems that they have been incapable of dealing with. So, in part he is using this Serb nationalism to force central government decisions.

But he is also using it with regard to the Cosova, where there is intense anti-Serb, anti-Albanian—where the two are intensely in competition right now. He is using this to try to strengthen Serbia within the alliance of nationalities in Yugoslavia, and in the process, interestingly enough, has scared the pants off the normal allies he ought to have with regard to moving the economy in a Western direction; namely the Slovenians.

So, what he has done is create a situation which I think is very dangerous. I do not yet say it has come to the point of real likeli-

hood of shooting, but it is far the worst situation with regard to the nationality question we have seen since the close of the war.

Senator PRESSLER. You mentioned that Yugoslavia lost more people and a lot of those were killed by fellow Yugoslavians. I also have been intrigued by the situation of the Albanian minority in Yugoslavia. Would you be able to describe some of the actions our Government could or should take to persuade the Yugoslavian Government to stop what are alleged to be abuses of Albanian rights in that country?

Maybe you could elaborate on that. Maybe that question presumes too much.

Mr. EAGLEBURGER. No, no. I am not sure I can get into too much detail about what we ought to do, but let me try.

There is no question that within the last year particularly the antagonism in the Cosova has gotten very dangerous. There is also no question in my mind, although I have not read all of the details, there is no question in my mind that Albanians are more sinned against than sinning, although you have Serbs who will argue the other.

I am not in detail aware of the degree to which human rights have been violated, but there is no question there is a problem in the Cosova and that the Albanians are taking the brunt of it.

I do not know, because I have not looked into the question since I came back, whether in fact the U.S. Government through Belgrade is indicating its concern or not. I think certainly we ought to be.

But there is a caution here, and I have to be more immediately aware of where things stand. If I know anything about Yugoslavs, it is when you come at them and tell them not to do something, that is precisely the time they will go ahead and do it.

So, all I am really saying here is that this is an issue that we ought to be talking to Belgrade about. I do not know how hard we ought to be pushing or what steps we ought to be prepared to take. But there is no question there is a problem, Senator, and I have not looked into the details of what we might do about it.

Senator PRESSLER. Yes, it appears to me that this is a bona fide human rights issue, and it is something that we should be concerned about.

Mr. EAGLEBURGER. No argument there.

Senator PRESSLER. There is another subject and this is more for the Under Secretary for Management. It is one of my pet subjects. I have been concerned over the years about the escalating cost of leasing State Department residential and other buildings, as opposed to buying them. Part of that is Congress' fault because of the way we like to do our budget. But we are losing millions of dollars in not insisting on owning.

You will be one of the top policymakers in the Department. What is your view of that?

Mr. EAGLEBURGER. Well, subject to being overruled by my Secretary of State if he does not agree with me, my own judgment is basically the same as yours. And I was once Under Secretary for Management, and it was fairly clear to me even then that we as a government would benefit more by owning properties and when we did not need them being able to sell them.

I think I suggested to you when we were discussing in your office this subject a revolving fund of some sort that could kind of be used to buy new properties and sell old ones. My prejudice is in that direction.

But I have not looked at the subject in 10 years, but that is where I come from without any immediate knowledge.

Senator PRESSLER. Well, as we discussed in my office, I have taken an interest in this, and I will be talking to the Under Secretary for Management. I will be sending things over occasionally.

I think we could save the taxpayers literally hundreds of millions of dollars in this area. It is something I give a high priority to and will continue to work on as one of my pet projects.

In the time remaining, I might ask—this may have been covered—do you feel it wise for United States banks to continue to loan more money to Yugoslavia, considering its huge debt burden?

Mr. EAGLEBURGER. I guess my answer to that—as a matter of fact, I guess I would answer that question by making the same point with regard to most of the North-South issues, and that is that the debt burden on the developing world is substantial. The threats of instability from the failure to grow economically are such that in a general sense I would feel the same way about Yugoslavia I do with regard to most of these North-South issues.

We are going to have to find ways to deal with the debt problem. Now, how that relates to any specific bank I could not say. And obviously, it has got to be done within the context of normal prudent banking practices. But I put Yugoslavia in the North-South equation, and I think that the same general arguments have to apply.

I worry about instability in the developing world if we do not deal with the debt problem in some way fairly soon. And it is clear that this administration intends to try.

Senator PRESSLER. Thank you very much.

Senator HELMS. Mr. Chairman, could I ask a question?

The CHAIRMAN. Sure.

Senator HELMS. Going back to my line of questioning the first thing this morning, Larry, would you be willing to undertake to obtain from Dr. Kissinger a letter to be provided to this committee responding to the issue of whether or not he would release you from the obligation of the confidentiality clause?

Now let me explain where I am——

The CHAIRMAN. Excuse me. You are interrupting two more people who have not questioned.

Senator HELMS. He can answer "Yes" or "No."

The CHAIRMAN. OK.

Senator HELMS. But this is a question that I did not have time for, and this is the only one I am going to ask. The point is that you received income from certain clients whose identity has not been disclosed. Now, as I see our responsibility here, it is to determine whether there is a conflict between your financial interest and the public interest.

Now, I am not suggesting anything, but this is what we are supposed to require throughout the Senate in confirmation hearings, because we really cannot make a reasonable determination on that issue unless and until we are given the basic information that makes a determination possible.

Now, I am not suggesting we will peep over the transom. You could send it to the committee, the chairman could keep it under his arm. We can look at it up in the secure room on the fourth floor of the Capitol.

But I think the committee ought to have access to it.

The CHAIRMAN. I would like to remind you, Senator, we really have——

Senator HELMS. Just a minute.

The press has made numerous statements alleging that certain multinational corporations have been clients of Kissinger Associates, and I think we need to know whether these statements are true or not, and I would think that you would want the committee to know whether they are true or not.

Now, will you ask Dr. Kissinger for that letter?

Mr. EAGLEBURGER. Senator, can I think about your question for a few minutes before I give an answer?

Senator HELMS. Yes.

The CHAIRMAN. We will move on. Senator Dodd.

Senator DODD. First of all, Mr. Chairman, let me apologize to you and the nominee. We just had the markup in the Labor Committee, which I could not have predicted would happen this morning, at exactly 9:30 this morning, on the child care bill.

I apologize to you and the other members, and of course to Mr. Eagleburger.

Let me first of all say that I, Mr. Chairman, want to commend President Bush for this nomination. I happen to think Larry Eagleburger is one of the finest public servants that has served this country. He has a distinguished record, career, commitment.

I must also say quickly, he and I disagree on an awful lot of things. But that is not the issue. The issue is whether a person of competence, commitment, and intelligence is willing to come back into Government, and the fact that he is I think deserves great praise.

Regardless of one's views or whether or not we agree or disagree on Panama or Nicaragua or any other place in the world for that matter, we rarely get people who are willing to serve with such great competence as Larry Eagleburger. So, I am anxiously looking forward to supporting his nomination and working with him.

And I should say, Mr. Chairman, as well that we have had excellent discussions already with the Secretary on a number of thorny issues. Nothing has been resolved, but we are talking, the way things ought to be done, to try to come up with some answers on these questions.

And I would, Larry, just ask you about whether or not—we have had some discussions. I know the Secretary has talked to people on the Hill about the Central American issue. Is that going to be the pattern in your view, that we try to seek some bipartisanship and try and resolve some of these questions?

Or is it merely on a couple of these thorny political questions and then we will not hear or see from you again until problems and accidents arise?

Mr. EAGLEBURGER. If I am confident of anything, having talked to Secretary Baker—and I must emphasize, I have not—I mean, I

have known him, but not closely, for a long time. But he and I have had some fairly explicit talks.

If I am confident of any one thing about Jim Baker, it is that what you are seeing him try to do with regard to Central America is the way he is going to try to approach all problems. Now, we will slip up sometimes, but that is not going to be intentional.

It is clear to me that he is as intent as anybody I have known in that office to try to develop a different kind of a relationship with the Congress of the United States. On that subject I have no doubts.

In fact, Senator, one of the reasons I am so emphatic on this is that when I was back happily in the private sector Presidents Carter and Ford asked me to join this group that did this thing called the American Agenda, which was one of the many studies done for the new administration that is then put on a bookshelf and forgotten. But Warren Christopher and I did the foreign policy section.

And one of the things I insisted be in that was that it was my judgment that the executive-legislative relationship had gotten so sour that any new Secretary of State was going to have to spend something like 25 percent of his time trying to put that right.

And one of the first things Jim Baker said to me was that he absolutely agreed with that. Do not ask me if it is 25 percent of the time, although I will tell you that it is fairly clear to me that it is going to take a lot more time than most Secretaries of State, including some with whom I am reasonably close, devoted to that subject.

But on that question, if on no other, I am as convinced as I could be that you have got a gentleman in that office who is going to be working very hard to make—I will use the term, "bipartisanship." That bothers me sometimes, because it is a question that it is not just parties, it is an institutional question, because Republicans and Democrats in the Congress often disagree with a Republican or Democratic administration.

It is institutionally making those two institutions work far better than has been the case in the past.

I spent a lot of time answering your short question, but it is because I feel so intensely about it. If there is anything I am sure of, that is it.

Senator DODD. I am delighted to hear you say that and I am glad you took the extra time, because I think the nuance—I think bipartisanship is not just, if you are a Democrat, shopping around to find a couple of Republicans that will lend their name to your idea.

Bipartisanship as you have described it and as I understand it is taking people, regardless of party, who may have some different ideas and drawing them together to see if you cannot meld those ideas into a policy that is not only acceptable politically, but that is going to serve the best interests of this country. If that is in fact what bipartisanship is, as I believe you have indicated, then I applaud you for your statement and comment.

And I must say, I have already been a witness to it. I have seen it already in the first few weeks out of Jim Baker, out of Secretary—or President Bush, rather. And my experience with you in the past is that you have been an advocate of it, not just recently

but for a long time. That is one of the reasons I feel so strongly about your nomination.

You have always given me an opportunity to express a view. You told me when you thought I was offbase and wrong and why. But I have always had the opportunity to express my view to you, and that to me is something that is essential in this process. And so I commend you for that.

I do not know if there is anything new to report. I heard the Secretary yesterday talk, I guess testifying before one of the Appropriations Committees in the House, about the Central American effort. Let me just ask you in general terms, are you optimistic about what happened in San Salvador? That is, the agreement reached.

What are the pitfalls in that, if you can briefly respond.

Mr. EAGLEBURGER. Optimistic in the sense that the Tesoro agreement emphasized fairly clearly the Nicaraguan need for the benchmarks on Nicaraguan democratization; cautious with regard to the fact that it was not as clear on what would be done if the Nicaraguans did not comply with the agreement.

Now, I think in fact what Secretary Baker has been up here dealing, talking to people about, and what we have been trying to do through sending Ambassador Busby and Mr. Kimmitt down there is to in fact assure ourselves, and working with you—hopefully we all agree that there needs to be some set of benchmarks, some way we can test what the Nicaraguans are doing.

I think the Secretary has made it very clear that from his point of view we need humanitarian aid for the Contras for a while.

But in general, and with the qualifications I just mentioned, optimistic that things can work in the right direction. I have yet to see the Nicaraguans prove to me that they are going to do what they say, but we have now got some statements that we can test.

We need to be sure that the Nicaraguans do not sit there thinking that there is no real mechanism to make sure that they comply, that is all. I am only optimistic about I think what the Secretary is trying to do with you here and in the House. One of the most important ways that the Sandinistas will get the sense that they have got to comply is if they feel that there is a U.S. Government on the subject, in which the executive and the legislative branches are by and large coordinated and agreed.

It was clear to me before I left the Government and certainly afterward that Central American policy did not exist when the administration and the legislature were at each other's throats. Hopefully, that is on the way to repair.

Senator DODD. Thank you very much, Mr. Chairman.

The CHAIRMAN. Senator Simon.

Senator SIMON. Thank you very much.

First I want to join in saying that I think Larry Eagleburger has been an uncommonly fine public servant, and I think the President and Secretary Baker have made an excellent selection.

I would add, in regard to the question raised by Senator Helms, I think we have to figure out some procedure. I do not think we can ask you realistically to divulge all your clients in public. I frankly think if we have an executive session of this committee, we can

have an executive session and it is going to be out in the public in a very short time.

Whether the procedure is that we have maybe three members of the committee who are given the responsibility to say, this appears to be OK, I do not know what the procedure is. But I do think that Senator Helms has raised a question, and I am not just talking about your case, but a question that we do have to deal with.

Frankly, in your case I know you well enough that I have confidence in you. But we should not just be doing this on an ad hoc basis, because we happen to like Larry Eagleburger we say, "No, forget about who his clients have been." We ought to have some kind of procedure.

And I see my colleague from Kansas.

Senator KASSEBAUM. Would my colleague yield for just a moment, because as I understood what Senator Helms was asking for was that Dr. Kissinger would release all of his associations. Was that not correct?

Senator SIMON. Well, as I understood the question he wanted Larry Eagleburger to sign a letter to Henry Kissinger.

Senator KASSEBAUM. Right.

Senator SIMON. Just assuming that Larry Eagleburger was going to be politically adept here, which he is undoubtedly—otherwise he would not be getting this spot—he could agree that he would sign the letter. Henry Kissinger probably would say, "No, I cannot do that." And we are no further than we were before.

Senator KASSEBAUM. I fail to see what bearing it has on this nomination.

Senator SIMON. I am not raising it as a barrier to this nomination. I am simply saying I think we need to examine the question, not in the case of the Eagleburger nomination, but in the future we need to establish some kind of a procedure that we follow.

We have just been—Senator Helms, well, you can get a fill-in from your staff.

If I may just follow through and underscore what my colleague from Connecticut has said, I hope we can have a genuine bipartisan effort. And I think the naming of Hank Cohen as Assistant Secretary for African Affairs is a move that is in that direction. He is certainly someone that certainly I in my Subcommittee on African Affairs can work with very closely.

One question in an area that we have not made much progress on, where I think it is important for the future that we do, and that is Vietnam, the third largest country in the world in terms of—Communist nation, in terms of population, behind only China and the Soviet Union. Are there steps that can be taken to encourage independence on the part of Vietnam?

And obviously, right now that is tied in with Cambodia. But are you personally open to seeing an improvement there that could be in our national interest?

Mr. EAGLEBURGER. You made the question easy to answer, Senator, when you say opening of relations or improvement of the relationship that is in our national interest. Obviously—and I am not trying to be cute. I could list for you a whole host of countries around the world where, if the process could be managed properly, we ought to develop a better relationship.

I feel strongly about that with regard to Iran. I do not think it is possible with that regime right now. But it is unnatural and unhealthy for both us and the Iranians that we do not have a different relationship over time, and geostrategically it is important.

I can say the same thing with regard to Vietnam. Now, I am no expert on Vietnam, although I still bear some of the bruises from trying to negotiate with Mr. Le Duc Tho, who is a pretty tough fellow. I am not opposed to finding ways to improve the relationship if that carries with it a change in conduct on the part of the countries involved.

And until the Vietnamese in Cambodia change the ways in which they are doing some things, I find it very difficult to perceive how we can proceed. But in principle I am not against it. It is just trying to march through it in terms of the details of how you would make it work; I am not so sure I know how to do it.

Senator SIMON. OK. And I used the phrase "in the national interest" because in the case of Vietnam I think you can make a pretty strong case that we have acted as a result of the national passion, rather than the national interest, at least prior to the Cambodian invasion. But it is one that I think is important to review.

And finally, and I will not ask it in the form of a question, I am going to be lobbying you hard to see that we upgrade the language skills in the Foreign Service. We have the only Foreign Service in the world, you can get into the Foreign Service without the knowledge of a foreign language. I hope to see that changed some day in my lifetime, and it would be great if it changed in the next 4 years.

Mr. EAGLEBURGER. Can I assume it is a question for a minute, because I would like to comment?

Senator SIMON. Yes.

Mr. EAGLEBURGER. Because it gets to the Foreign Service and my own view of that. And there is no question, Senator, that we need to do a lot more on language. There is no question that if you take two Foreign Service officers, one with the language of the country and the other without, who are otherwise equal, you do better with the language.

There is only one point I would raise, which you and I talked about briefly in your office, which is that question of having to enter with a language. You are looking at somebody who entered the Foreign Service from a State slightly to your north, who did not have a language. Now, there may be some who would argue that that——

Senator SIMON. That may prove the case.

Mr. EAGLEBURGER. That is exactly right.

But my point is—and the Middle West has not changed that much, I think. Maybe it has. Maybe Illinois is different. In Wisconsin at least, you have got a lot of good kids who come out without any real opportunity to learn the language, whereas on the east coast and probably on the west coast there are more that do.

All I am saying is I would hope there are opportunities for those who come from areas of the country where foreign languages are either not well taught or are not emphasized much, where the system gives them a chance to learn it in the very early stages of their entry into the Foreign Service, with the clear understanding

that if they do not learn it they have to leave. That is my only point.

Senator SIMON. All right, you and I are on the same wavelength. Now, I would be willing to say you can be admitted to the Foreign Service, but first you have to take 6 months of whatever, some foreign language, in order to be admitted.

I think there are ways of getting around this particular problem.

Mr. EAGLEBURGER. On the language point in general, I thoroughly agree. We need some money, Senator.

Senator SIMON. I understand, and I am going to lobby my colleagues for some money for that cause around here.

Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, I just want to be not last on the list of persons welcoming Secretary Eagleburger back to this committee——

The CHAIRMAN. Excuse me. If I could interrupt for a moment, the question comes up, we are obviously not going to finish today, this morning, the questions. And I would like to suggest we come back after this round, you and Senator Robb and the others have spoken, come back at 4 o'clock this afternoon after the Hastings blackout.

And I would ask my colleagues if that would be agreeable with them, because I think—I know the ranking minority member has more questions, and there may be more than that. Would that be agreeable to my colleagues?

Senator HELMS. Well, let me say, Mr. Chairman, we could shorten this thing considerably if you will make the inquiry or request of Dr. Kissinger and if he agrees to it. Now, let me emphasize again that I do not want to peep over the transom. As the chairman and I have been talking, it should be treated in the utmost confidentiality.

But it was required of Bill Casey, for example. There are a number of other precedents. And I do not have any personal curiosity, but I think we better be safe than sorry for your sake, because there are going to be questions: oh yes, look at Yugoslavia, and look at this, and so forth. And then we can honestly say, "Well, we have looked at that and we know what the facts are."

But right now I do not know what the facts are. You have given us a partial listing. But you were, after all, and still are, I guess, until you—have you resigned as president of the Kissinger corporation?

Mr. EAGLEBURGER. Oh, yes, sir.

Senator HELMS. Well, you were president?

Mr. EAGLEBURGER. Yes, sir.

Senator HELMS. And chief executive officer?

Mr. EAGLEBURGER. President, not chief executive officer.

Senator HELMS. Well, you knew what the affairs of the business were. And from your standpoint, if I were you I would want this information presented to the committee under the terms that I specified.

I do not think anybody on this committee is going to leak one syllable of it. Certainly I am not.

Mr. EAGLEBURGER. Well, I have asked for some time to think about it. And at some point, Mr. Chairman, since it has been raised—I do not want to take your time, Senator—I do need to describe the role of the president of Kissinger Associates, so you will understand precisely what I did.

The CHAIRMAN. Could you be back with your reaction at 4 o'clock this afternoon?

Mr. EAGLEBURGER. I will be back here with my reaction and bells on.

The CHAIRMAN. Thank you. And then after this round we will recess and come back at 4 o'clock. I realize it is some inconvenience, but I think it is important for us to move on this as fast as we can.

Sorry to interrupt you, Senator Moynihan.

Senator MOYNIHAN. Not at all, Mr. Chairman.

Senator HELMS. I thank the Senator.

Senator MOYNIHAN. Thank you.

Again to just say welcome back, and you have heard it repeatedly stated and I just wanted to say it myself, that it is an event to have you where you are going to be at this moment in history.

I read with great attention your description of what it was like to enter the Foreign Service in the year of Sputnik and the year after Suez. You described the general sense of threat at that time and how enormously things have changed, and how they have changed very much in response to American policy.

One large event is, as you note that the Marxist-Leninist ideologies and the economies based upon them are bankrupt. That is a huge statement for you to make, and I think you are right.

It is not just that the Soviets are encountering difficulties in their economy or their relations with other nations. It seems to me to be fairly clear that they are giving up the most central of all their propositions: that is that they were the next stage in history and that this was an ineluctable process. Therefore, the whole quest for an international order could not ever be resolved while there was a country that was destined to control the next century.

And that is over. What I was thinking is that if that period of history is over, then there are a lot of things that are out of date.

I was recently in South Asia and I asked a number of people: "Would you agree that the cold war is over?" And they would all say: "Yes, the cold war is over." And then I asked: "Well then, what does it mean to be nonaligned?" And they had not thought of that, you see.

Mr. EAGLEBURGER. If they had, they would have given you a different answer to the first question.

Senator MOYNIHAN. Right. You see, they did not know that one question would lead to another.

And Yugoslavia, with Slovenia and Croatia and Serbia is not exactly a developing nation. Yet it was Yugoslavia, India, and Indonesia that commenced nonalignment.

And that nonaligned process almost instantly turned into a nonaligned bloc on behalf of the Soviet Union, which was not necessarily a preference, but certainly was a tactic. At some level it was a tactic of tapping the resources of the West by threatening to turn to the East.

Now sir, ought we not begin to suggest that that does not work any more, that you cannot threaten to hold your breath until you turn red, and then we will come rushing to your resuscitation?

We have about 160 members of the U.N. right now. About 40 could be called Western and about 20 could be called Marxist-Leninist, and the rest are allied with the Marxist-Leninists. Is it not time to start saying, that will not work any more, partly because we do not really very much care?

I have talked too much. What do you think?

Mr. EAGLEBURGER. No, no. It is a fascinating question and I basically agree with you, for another reason at least as well as the ones you have described. And that is, it used to be that the threat of moving toward the Soviets and of structuring yourself as a Marxist-Leninist system shook us.

It is now fairly clear almost everywhere in the world that the Marxist-Leninist system is nobody's model any more, and to threaten to go in that direction is patently to threaten to go in a direction that everybody now knows does not work.

Let me try to follow on, if I may, for just a second, Senator, because you raised the Yugoslav thing. Yugoslavia to me is now much more a North-South than an East-West issue. Yes, you have got Slovenia and Croatia. You have also got Macedonia and Bosnia and Herzegovena, and you have got a microcosm on the North-South issue.

Yugoslavia used to be important to me, very important to me, because it was the one place where there had been a break from Stalin and the Soviets and they had been able to—we needed to show that if you broke you had some help. What is interesting now is that the models for shifting away from the system to something else may well be two other Eastern European countries who are as a matter of fact at the moment still in the Warsaw Pact, Hungary and Poland, Poland less than Hungary, but Hungary and Poland.

And what we may be seeing—I do not say it is happening yet, but what we may be seeing, particularly in the Hungarian case, is the now most recent, most hopeful example of the way in which you move away from the patently unsuccessful system.

Now, how far the Soviet tolerance for this goes we have yet to see.

Senator MOYNIHAN. They have not stopped it.

Mr. EAGLEBURGER. They have not stopped it. Not only that, the Hungarians talk about a multiparty system.

Senator MOYNIHAN. And they have got a human rights commission.

Mr. EAGLEBURGER. And the world has not come to an end. That is correct.

In Poland it has not gone so far, but it is also there. And Poland is probably more sensitive to the Soviets than Hungary. But my point is if you let that develop, inevitably in my judgment there is an infection that takes place around you, whereas in the Yugoslav case right now, torn as they are internally, they are not capable probably of making the kind of intellectual judgments that go to saying, we have got to do away with the rest of the system.

They did away with a lot of it. The party in Yugoslavia is really not that important. The economy is more or less Western. But it has kind of stopped, it has stagnated.

The real thinking in the Communist system now is in places like Hungary and Poland, and I think it is a potentially tremendously significant change.

Senator MOYNIHAN. Sir, I do not want to use up all the time. Senator Robb is here. Could I just make one comment and ask if you would, if you can just nod. About 5 years ago, the Senate was torn by the concerns about a small country in a tropical setting that had gone Marxist. There were some of us who said that what we should do was have a national day of prayer and regret that this had happened and sort of leave it there; to say to them that, if you have decided to go Marxist we are very sorry to have learned that, and we want you to know you are still on our list for earthquake relief. When the earthquake comes, you get blankets and serums and all those things.

But when the first food shortage comes, you are not on our list for food assistance, because you have already decided to run out of food. And when the first debt crisis comes, you do not get any help, because you have already decided not to be able to pay your way in the world. And so good luck to you, but we do not expect much of it.

Would that not be a fairly useful message to send around to some of those settings? I mean, to say we do not have to care, it is all over.

Mr. EAGLEBURGER. It would be a useful message. I am not so sure that the first time there was not starvation we would not change our minds.

But there is a different point, Senator, I would also make. Marxism-Leninism is on the way out. Maybe not all over, but it is on the way out. I do not argue that. That does not mean necessarily that old patterns of conduct that are rooted in history do not still have to be kept in mind.

And whether it is the Soviet Union or Czarist Russia, it is expansionist. It has got a history of that. And I do not think you are arguing the point that we do not have to worry about that.

But I am prepared to accept your point that you give it another decade—let me put it in my words, not yours. You give it another decade or two and I think that the Communist world is going to have a terrible time defending its ideology, if it has any left.

Senator MOYNIHAN. I thank you very much. You could not have come at a more auspicious moment.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Humphrey. Senator Pressler has been.

Senator HUMPHREY. Thank you, Mr. Chairman.

Welcome. Let us get to the really important questions, Mr. Eagleburger.

Mr. EAGLEBURGER. Yes, sir.

Senator HUMPHREY. First of all, have you ever drunk anything stronger than warm milk?

Mr. EAGLEBURGER. Yes, sir.

Senator HUMPHREY. Strike one. [Laughter.]

I notice you smoke, too. Strike two.

Mr. EAGLEBURGER. There are some few left on this committee who think it is a good habit, but not many.

Senator HUMPHREY. Have you ever in public or private pinched a woman's behind?

Mr. EAGLEBURGER. Can I divide that into two questions? [Laughter.]

No, sir.

Senator HUMPHREY. In a serious vein, Congressman Ackerman put it very well the other day when he said that it speaks, to paraphrase him, it speaks ill of us when we show more concern about how much a man drinks than we do about whether people in Sudan have anything to eat.

I want to talk to you about the Sudan. Hundreds of thousands of people have died there, including children and especially children, of starvation in the last year. And it is not this time because of famine or locusts or any natural disasters, you know.

It is because the factions to the civil war in that country have used starvation, both sides from what I can gather, have used starvation deliberately as a political tool, have starved human beings to death deliberately, even though there are private organizations and governments willing and anxious and pleading to be permitted to bring food into that country.

And as Congressman Ackerman said, we bear some responsibility for the misfortune because we have too much valued the friendship of the Government of Sudan because of its strategic importance. And we all understand the strategic importance and we all understand the desirability of remaining on friendly terms with the Government of Sudan. But that should be so only consistent with principles, humanitarian principles.

I really feel that we have not done nearly enough, the last administration did not do nearly enough, to foster conditions that would permit the relief of this hunger.

We are up against a real emergency right now. You have got a lot of things to contend with. You may not know the details about this one, but I focused in on this one. In about 6 weeks, in the early part of May, the rainy season in Sudan begins and the roads, which in the central and southern part are unpaved, as I understand it, and airfields likewise, are going to turn into quagmires.

And unless food is prepositioned before then during these 6 weeks, then hundreds of thousands more people are certain to die of starvation in the period of the rainy season, which I guess is 4 or 5 months.

First of all, let me establish how great a concern, personal concern, this matter is to you.

Mr. EAGLEBURGER. Obviously, Senator, you and I talked about it briefly in your office, and I do not argue that this is a solution, but you do notice—it is not that after I had anything to do with it, but you do notice we put out a white paper on Sudan and tried to indicate that the administration cares a lot.

I care a lot about the subject, and I would add Sudan is not alone in this. We have an earlier case in Ethiopia where, although somewhat different—Senator Kassebaum and I talked a little bit about this before you came in—but here again, where the contending par-

ties care more about killing each other or imposing starvation on their opponents, and as a consequence it becomes extremely difficult for us to deal with the problem.

But the answer to your first question is, I care. Hunger as a tool of war is hideous, and it exacts its price on those least involved in the war. That is the first answer.

I am not always sure I know how we deal with a problem like Sudan, and we have not talked about that.

Senator HUMPHREY. That of course is the answer I knew you would give, and I know it is sincere. So that when I call you about this matter, I will have your attention?

Mr. EAGLEBURGER. Senator, if I get confirmed and you call me, I will answer the telephone right away.

Senator HUMPHREY. That is a valuable pledge in this town. Put it in writing. [Laughter.]

Mr. EAGLEBURGER. No, I am serious. Obviously this is something I would be glad to help with.

Senator HUMPHREY. In the long range, I think the United States ought to take the lead in proposing a new United Nations treaty banning the use of hunger as a political weapon. But that is in the long run.

In the short run, unless we get off our white papers and our statements and all of that stuff and get food into that country, then a lot of people are going to die, including and especially children. You have seen the photographs, these poor little pathetic skeletal kids. And it is going to happen again.

I am not sure the response of the new administration is going to be adequate. I am meeting with Mrs. Taft here in a couple of hours, who has just returned from the Sudan, from this U.N.-sponsored conference, and perhaps we will know more. But I have a hunch that it is going to take some strenuous exertions on the part of the administration in these next couple of weeks to make sure that adequate food gets in there.

And I will be in further touch with you about that.

Mr. EAGLEBURGER. Well, when I leave here I will go back and talk to the Secretary about the point you had made. I did not know about the 6 weeks issue. I will raise it.

Senator HUMPHREY. Yes.

Well, I would like to switch my focus to Afghanistan. As you know, a provisional government—I am not sure if that is the right term—has been proclaimed by the seven parties that have been headquartered in Peshawar these years. How that provisional government will evolve or if it will is not certain at this point.

But it seems to me that the time is ripe, because of that and because of other things, other developments, the time is ripe for us to rupture formally—in my opinion we should have done it years ago for symbolic reasons. But the time is ripe to rupture formal relations with this regime in Kabul.

It is incredibly ironic to me that we encourage the Afghan resistance and, more than encourage them, we have provided material assistance, encourage them to fight even unto death against this regime in Kabul, and yet we maintained an Embassy there all of those years, likewise permitted that puppet regime, established at

the point of 120,000 bayonets, to maintain an Embassy, a staffed Embassy, in Washington.

I think the time is ripe, to say the least, for us to rupture that formal recognition. We no longer man our Embassy there. We can no longer claim to have an intelligence asset there. There is no good reason not to do it. There are lots of good reasons to do it.

One of them is this. You will recall that when Secretary Baker withdrew our personnel from the Embassy there 2 months ago, 6 weeks ago, that precipitated like actions on the part of other countries. It had a domino effect, to the point that the puppet there, Najibullah, publicly excoriated the United States and accused us of seeking to create panic.

Well, I suggest that the same thing may well happen if we formally rupture relations, that other countries might do so. And that does not mean that we or anyone else necessarily have to recognize immediately this provisional government.

But I think it is one of the steps that ought to be taken. What are your thoughts on that?

Mr. EAGLEBURGER. Senator, one of the nice things about not being in office is I can say what I think. And since I am not in office, I will tell you what I think. But please understand, it is me; it is not necessarily the view of the administration, where there are a lot of other considerations that have to take place.

And I agree with you that we ought to break relations. It is clearly now no longer a government that can claim to control territory or anything. I do not think, and this is more a legal judgment—I am not a lawyer. It is more having read——

Senator HUMPHREY. Well, I will take away one of those strikes.

Mr. EAGLEBURGER. But having read the legal opinions, I am not sure we are yet in a position where we can recognize somebody else.

Senator HUMPHREY. Nor am I.

Mr. EAGLEBURGER. But I do think your point with regard to breaking relations is a good one. But that is Lawrence Eagleburger, private citizen, speaking.

Senator HUMPHREY. Thank you, Mr. Chairman. That is all I have at this point.

The CHAIRMAN. Thank you very much.

Senator Robb.

Senator ROBB. Thank you, Mr. Chairman. I will be very brief.

Let me first say that I have enjoyed the conversations I have had with all of the members of the State Department team that have come through for individual briefings, but I do not think I enjoyed any any more than the one with Mr. Eagleburger.

There were a number of profound questions that I was going to ask him to follow up on, and I apologize for having to go out and chair the Budget Committee hearing on waste cleanup and the nuclear production facilities and not being here for all of it.

Let me ask one question, and it might be the right one to conclude at this point, that is somewhat overreaching. And that is the question of why, given the fact that you have obviously had to terminate relationships with a number of clients, a lucrative practice, and subject yourself to this process and others, and I assume to increase the likelihood that your smoking habits will increase and

whatever else that Senator Humphrey might find as a strike against you, why, given all of the advantages that would seem to be available to you in the private sector, which permits you to answer a question as you did just a moment ago, why give all this up to come back into the public service at this particular point in your life?

Mr. EAGLEBURGER. Senator, that is a question that has been occurring to me several times of late. The answer is twofold.

First of all, when the President of the United States and the Secretary of State ask you to do something, you had better have pretty good reasons for saying "No."

And second, I guess the answer goes to something that I discussed earlier, which is I am so convinced that it rests in the hands of the United States to take the country and the West, and therefore in the longer run the world, into the 21st century in a way that is so much better than—well, there is no comparison between the way we entered the 20th.

The opportunities are tremendous. They require a lot of careful thinking about how we manage a world now that is less—where we dominate less than we used to, but where, if the West collectively can act together, we dominate clearly; and on the converse side of that, that if we do not do it well, that 21st century can be an awful mess.

And it is new issues. It is the environment, it is North-South in ways we have never had to deal with before. It is those kinds of challenges that we really need to think through and deal with with some nuance and some sophistication.

And I do not know whether I can bring the nuance and sophistication, but I care enough about the way we try to set the base in the next 4 years for getting through the 20th century in a way that my kids live the way they ought to and not the way my grandfather did, that I guess that is the reason I am here.

Senator ROBB. Thank you, Mr. Eagleburger.

Mr. Chairman, I thought that that motivation for public service seemed to permeate much of the discussion that had taken place. And that challenge sometimes has been overlooked in recent testimony in other quarters, and I thought that Mr. Eagleburger seemed to represent why a number of us think that calling is important. And I appreciate his response on this question.

I will yield the remainder of my time.

The CHAIRMAN. Thank you very much indeed, Senator.

Senator Dodd, do you have anything?

Senator DODD. No, Mr. Chairman, just to look forward, I hope—is there any sort of a schedule we are looking at? We meet again this afternoon?

The CHAIRMAN. We are meeting at 4 o'clock this afternoon in this room.

Senator DODD. And our hope would be?

The CHAIRMAN. The hope would be that the ranking minority member may have a few more questions, and also——

Mr. EAGLEBURGER. I have an answer for him.

The CHAIRMAN [continuing]. The reply from Secretary Eagleburger, Secretary to be Eagleburger, I hope, reply to the latter.

Senator DODD. The intention would try to be, then, to complete the hearing this afternoon?

The CHAIRMAN. That would be my hope, objective.

Senator DODD. Thank you, Mr. Chairman.

The CHAIRMAN. I just have one question myself that concerns me.

Mr. EAGLEBURGER. Yes, sir.

The CHAIRMAN. And that is in connection with arms control. The Reagan administration pretty well developed the START treaty. All the major parts of it were in place and it is just a question of sort of putting it together. It reminds me a little bit of the Pakistan nuclear weapon, where they have all the pieces, but we hope not together.

In this case, I was just curious if the administration has to go through this rediscovery-of-the-wheel exercise or is it going to be able to take that tentative agreement and move on it?

Mr. EAGLEBURGER. The pause in my answer, Senator, is I think I have to start by saying I am convinced, in part because Brent Scowcroft is there and Jim Baker is there, I am convinced it is a serious look. I do not think it is a reinvention of the wheel, but I think they are going to take the pieces apart and see how they all fit together.

I have no doubt that when they finish a lot of what has been done and maybe all—I do not know, but there is no intention to delay this thing. There is an intention, I think, to take a hard look at it in terms of whether this administration intellectually accepts where we are or whether there are some things they want to be changed.

I would be misleading you if I did not say they are going to look at it hard. I suspect when they are through it is not going to be a question of long delays thereafter that will upset you.

The CHAIRMAN. Could you give a rough estimate or would you be able to do that? Would it be a month, a question of another month?

Mr. EAGLEBURGER. Somebody told me—the end of April I am told it will be done. It shows you my mind has been on other things. Somebody told me yesterday the end of April and I could not remember whether it was the end of March or the end of April.

The CHAIRMAN. And then I had one other question, concerning the use of poison gas on the Kurds by the Iraqis. To your mind does that constitute a consistent pattern of gross violations of internationally recognized human rights?

Mr. EAGLEBURGER. Again, my pause is only the word—there is no question it is a violation of human rights. Since the Iraqis have stopped and since we now think we have that thing back in the box, I am not sure I can accept the word "consistent."

But there is no question it was a terrible violation of human rights. The issue now is whether they have foresworn future use and whether we can go on from there.

The CHAIRMAN. That is where we have to work hard to make sure that that comes into effect.

Mr. EAGLEBURGER. Absolutely.

The CHAIRMAN. The committee will now stand in recess until 4 o'clock this afternoon in this room.

[Whereupon, at 12:55 p.m., the committee was adjourned, to reconvene at 10:05 a.m., March 16, 1989.]

NOMINATION OF LAWRENCE S. EAGLEBURGER

THURSDAY, MARCH 16, 1989

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met at 10:05 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Claiborne Pell (chairman of the committee) presiding.

Present: Senators Pell, Biden, Sarbanes, Cranston, Kerry, Simon, Robb, Helms, Lugar, Kassebaum, Boschwitz, Pressler, Murkowski, McConnell, Humphrey, and Mack.

Also present: Barbara Allem, chief clerk.

The CHAIRMAN. The Committee on Foreign Relations will come to order.

We welcome you back here today, Mr. Eagleburger.

I had hoped to complete the hearing process yesterday, even to suggest a vote, but a Republican objection to our meeting yesterday afternoon prevented that.

It is my hope that we can wrap up this morning.

If we do wrap up, I would like to see if we can vote, if members are prepared to do so. The State Department urgently needs a Deputy Secretary, and we ought to make every effort to help in that regard.

I hope we can move quickly this morning. I think an offer will be forthcoming shortly from Mr. Eagleburger, but I would defer to my ranking member, if he wishes to speak before he makes an offer.

Senator HELMS. I have nothing to say except that we can expedite this thing if we can work it out. I don't want to set any precedent and don't think I am.

We're talking about foreign clients, Larry, foreign clients. You were president of the concern.

I just feel, as I said yesterday, that you would be better off to provide the information now than to have it discussed in the newspapers. Some of the newspapers who are so friendly to you now may turn on you. They've been known to do that.

On top of that, if the advise-and-consent requirement of the Constitution does not mean anything, then they ought to take it out. As long as it is in there, I'm going to do what I think is right, notwithstanding the objections of those who favor expedition of this nomination and sometimes do not favor the expedition of others.

Anyhow, we will proceed, and we will work as rapidly as we can, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Helms.

Also, to interrupt for a moment, I would like to recognize Senator Biden.

Senator BIDEN. Very briefly, Mr. Chairman, I understand the good intentions of my Democratic colleagues as well as my Republican colleagues in some of their questions and their requests.

But I would respectfully suggest that we are on a slippery slope here. This notion that somehow if any client paid into "the treasury," the phrase used yesterday, out of which an individual received their income, that maybe that nominee should recuse himself or herself from dealing ever with any of those clients of that firm I think is bizarre.

We would have no Secretary Vance, no John Whitehead of Goldman Sachs, no Nicholas Brady, of Dillon Read, no Mr. Darman, of Shearson Lehman Brothers, no Secretary Shultz of Bechtel, no Clayton Yeutter of the Chicago Mercantile Exchange.

I don't know where we're going in this city. I think we're getting a little daffy. I plan on pursuing this a little bit.

I don't know what your plan is. I'm hearing there is a plan that you have. But I would strenuously object to you recusing—the only thing that would probably cost you my vote is your recusing yourself, and setting a precedent, from any organization that ever paid into the company for which you worked.

But I will get back to that later. I hope we are not going to go down that road because we'd be assured that the only person we'll ever have as a Secretary of State or any other major position will be someone who has a career that is distinguished by having done nothing.

The CHAIRMAN. I think Senator Cranston wished to be recognized.

Senator CRANSTON. Yes. I would like to comment very briefly on the situation that confronts us.

I am not certain whether the issue is recusing as much as disclosing. But let me say that I understand that Mr. Eagleburger is about to make a suggestion as to how we can resolve this matter.

I just want to stress my view that it is very important that it be resolved, and as expeditiously as possible.

I have the feeling that President Bush is assembling a remarkably fine team to deal with foreign policy and defense matters, with Mr. Scowcroft in his position, with Mr. Cheney about to assume his position, with Mr. Baker in his position.

I believe that Larry Eagleburger is an essential part of that team. Mr. Baker has great political skill and a lot of savvy about the way Washington and the country and the world work. He is not an expert in foreign policy, and I feel that the role that Larry Eagleburger can play, as a Foreign Service officer, with years of experience there, as the chief deputy in the State Department completes that team and brings the experience and background that is essential to its effective functioning in the State Department. The other top people around Mr. Baker are not that experienced in foreign policy. The Assistant Secretary roles have not yet been determined in terms of who will fill many of those very important posts.

We have tremendous challenges and I think incredible, unprecedented opportunities to deal with the Soviet Union, the Communist

world generally, our allies, and the neutrals in this world in ways that can greatly benefit our country.

I think that Larry Eagleburger is an essential part of that process and the President's choice. I want to see the President given this particular choice.

I recognize that legitimate questions have been brought up. But it seems to me that reasonable people can resolve these in a reasonable way.

I just want to pledge myself to do all that I can to see that we resolve this in a reasonable way and get on with the Nation's business.

The CHAIRMAN. Thank you very much.

I think Senator Kassebaum wished to be recognized.

Senator KASSEBAUM. Just briefly, because I think it is important to move ahead.

We have gotten into the field of trying to define "conflict of interest" and where it applies and where it does not apply as we have designed financial disclosure statements and attempted to make all of the areas available for public scrutiny where there could be potential conflict.

I think we then have to move on and recognize that you can't design something that will fit all situations.

There are distinctions with major differences. It seems to me, when we look at the Department of Defense, say, versus the Department of State, the Department of State is not in the business of letting major contracts. It is not in the business of procuring, with billions of dollars, very expensive systems.

I think, even though there are questions that need to be asked about the past associations and conflicts of interest, we have to keep in mind, I think, a healthy dose of commonsense and good judgment about where or when they would apply and what the difference is and why we should or should not be concerned.

The CHAIRMAN. Thank you very much.

Mr. Eagleburger.

STATEMENT OF HON. LAWRENCE S. EAGLEBURGER, OF FLORIDA, TO BE DEPUTY SECRETARY OF STATE; ACCOMPANIED BY, HON. WILLIAM D. ROGERS, ESQ., FORMER UNDER SECRETARY OF STATE

Mr. EAGLEBURGER. Mr. Chairman, thank you very much. I would like to make the point that I was very aware yesterday of the point that Senator Helms raised with regard to the complete list of clients, and that Senators Sarbanes and Simon touched on with regard to recusal.

I have the uncomfortable feeling that I am a test tube case here. I want to try to solve the problem, and, if I may, I would like to ask Mr. Rogers to come up here and describe where I stand on this matter. He has had a conversation with Dr. Kissinger last night, following up on yesterday's discussion.

The CHAIRMAN. Mr. Rogers, would you come forward.

Mr. EAGLEBURGER. Could I as well, Mr. Chairman, just briefly, since it has been raised so many times, describe my role as president of Kissinger Associates, because I think it is clearly relevant.

What needs to be understood with regard to the specific case of my, as president of Kissinger Associates, is that I acted neither as chief executive officer or even chief operating officer. What I did was work to bring in clients. I had a practice, more or less like a law firm. I, sometimes Dr. Kissinger, sometimes others, would meet with these clients, as I described yesterday, several times a year, usually with a fixed agenda. I really dealt only with those clients.

The only real additional task, as President, was that I was responsible for the internal workings of the office, that is, I helped to establish the pay scale for the secretaries, the staff assistants, and so forth, and working with Dr. Kissinger, would work out the profit sharing arrangements for the office staff.

That is really the description of what I did as President.

With that, now, I would like to ask Mr. Rogers if he could describe where we are on the questions raised by the three Senators I mentioned, and see what the committee's will is with regard to that situation.

Mr. ROGERS. With the Chairman's permission——

The CHAIRMAN. Please proceed.

Mr. ROGERS [continuing]. The issue is a fairly narrow one, in fact. It has to do with providing the committee with a list of clients as to which Larry Eagleburger had no relationship, involvement or business connection, and whether or not he ought to recuse himself with respect to those clients.

He, as you know, has already eliminated all conflicts of interest, in fact, or will do so by the time he is sworn in.

He has eliminated each and every prior business connection he ever had. He sold all his equity interests and he, therefore, under the law, could have no conflict of interest. He has no outside business interest which could conflict, in fact, with his services in the Department of State.

He has, furthermore, complied, and doubly complied, with every aspect of what this Congress has written, as required of Federal appointees in the Ethics in Government Act.

As required by law, he has disclosed to the world every client for whom he provided in excess of 5,000 dollars' worth of services. He has given a description of the nature of the work of Kissinger Associates and Kent Associates, and the fact of the matter is that he has also recused himself from doing anything in the State Department which bears directly on the interests of any of the clients for whom he worked while he was in the firm.

In other words, he has "belts and braces" with respect to the conflict of interest. He is doubly protected. He has no conflict, and he has also ruled himself out from any matters pertaining to those clients with whom he has no conflict.

In this sense, he has gone far beyond what the law has required and, indeed, what precedent and customary practice have dictated.

He has done this, if you will, within the rubric of the very stern, strong, and clear provisions of all of the contracts between Kissinger Associates and Kent, on the one hand, and their clients on the other, which provide for strict confidentiality of the existence of the client relationship and the nature of the business conducted therein.

I want to make one thing clear to the committee. The purpose and origin of those provisions are not strictly legal; they are ethical.

The two firms, as I think Mr. Eagleburger stressed yesterday, do not conduct the business of promoting the interests of their clients in the public or in the marketplace. They don't promote the products of their clients.

Kissinger Associates and Kent do not lobby. They do not represent any client with respect to any matter pending before the U.S. Government. They do nothing to affect public opinion on behalf of any client, foreign or domestic.

It is for this reason that they and their clients have been scrupulous to avoid any suggestion that Kissinger Associates, by virtue of the linkage of the name of Kissinger to those clients, is attempting to influence public opinion or governmental opinion on behalf of those clients.

This is the reason for those confidentiality provisions.

Now, as I say, the question is now a very narrow one, having to do with the few clients of Kissinger Associates and Kent for which Larry Eagleburger did nothing.

It is, I would hope clear, to me and to the world that the committee does not intend to single Kissinger out for a special rule requiring his firm to do something that no other firm has been required to do.

Now, if not, if the committee does not propose to create a special rule applicable for this case and only this case, then the committee needs to realize that what is before it is a matter of very serious precedential consequence. It will be asking this appointee and all other appointees to the Federal Government to disclose far beyond what the law presently requires, and that is the name of each and every client of the firm of which that appointee is an employee.

Senator Biden has already mentioned a few of the more notorious cases that this would involve.

Senator HELMS. Mr. Chairman, I don't want to be impolite, but the distinguished gentleman is not stating the case.

This is not what we asked, as I hope you know, Mr. Rogers. I am talking about foreign clients.

Mr. ROGERS. Foreign clients?

Senator HELMS. Yes, sir, and I said that repeatedly yesterday.

Mr. ROGERS. Only foreign clients.

Senator HELMS. Yes.

Mr. ROGERS. The rule is the same.

Senator HELMS. Oh, no, it's not, but I will not interrupt further.

The CHAIRMAN. I would add here, I may have been abstracted, but I did not understand that it was foreign, either.

Senator HELMS. Well, you weren't at the meeting yesterday with Mr. Rogers and me.

The CHAIRMAN. Yes, that's correct.

Senator HELMS. You couldn't possibly have heard it.

Mr. ROGERS. In any event, as I said, the request, suggestion, would have considerable precedential consequences.

In any event, as Senator Helms has mentioned, I did meet with the Senator last night, and we have also, over the course of the evening, taken onboard the suggestion of the Senator and the con-

sideration raised by Senator Sarbanes yesterday, as well as Senator Simon.

The fact of the matter is that the committee, as far as Dr. Kissinger and Larry Eagleburger are concerned, are pushing on an open door. If the committee insists, if this is the committee's considered collegiate judgment, that these names be provided to the committee, and if the committee really wants to establish the precedent that Federal appointees are to recuse themselves from all clients, from matters dealing with all clients of their employers, then Mr. Eagleburger and Secretary Kissinger are prepared to comply.

But, as I point out, it is an open door that the committee can push through if it would like. But you ought to do so after having considered with considerable gravity what you are staking out in terms of precedential consequence.

The CHAIRMAN. Out of curiosity, what is the number of foreign clients as opposed to domestic clients that are in that group that were not helped by Mr. Eagleburger?

Senator HELMS. Ten?

Mr. EAGLEBURGER. I would have to go back and check the list. I don't know.

Mr. ROGERS. Could we say it is somewhere between three and eight?

Mr. EAGLEBURGER. I don't know specifically. I would have to go back and check the list. That's a guess.

The CHAIRMAN. What is the will of the committee?

Senator BIDEN. May I ask a question, Mr. Chairman.

The CHAIRMAN. Senator Biden.

Senator BIDEN. I have great respect for the Senator from North Carolina. It may be that I misunderstood what is being requested here.

Am I correct in that there is a division here, in terms of what is being asked? One is a list of the clients, in this case now narrowed down to foreign clients, that Kissinger Associates and Kent Associates had, and a second request, as I understood it yesterday—not request, but suggestion—by Senators Sarbanes and Simon, and I don't know whether you also concurred, Jesse, related to recusing oneself from dealing in any way with any matter that would involve any of those clients?

Am I correct? Are they the two?

Senator HELMS. You'd better ask what Paul suggested—1 year. Is that not correct? Recusal for 1 year?

Mr. EAGLEBURGER. I think so. In other words, the same recusal for——

Senator BIDEN. I just want to make sure that I am in the right ballpark.

In my comments made earlier, I'm not sure where I am. I would like to hear it discussed and debated about the first point. But the second point about recusal is what concerns me, recusal from working on any matter involving any client of any firm with which one was associated for any period, whether it is 1 year, or 4 years, or forever. I don't know how that possibly works.

I don't know how one does that. I can see recusal from working on cases where you specifically were working on them. But if you

use the "treasury theory," as I'll call it, that was raised yesterday, my goodness, it seems to me that there is no end to that one.

I just want to make sure that I understand the separable issues here—disclosure and recusal.

Am I correct?

Mr. ROGERS. If I might comment here, Mr. Chairman, Senator Biden has correctly described the twin aspects of this issue, with respect to clients the appointee did not work for.

I think it is important also to point out that there is no end to it and there has never been a beginning.

We checked with the Office of Government Ethics yesterday. These suggestions have never, ever been implemented in the past with respect to any Federal appointee. You would be doing it for the first time.

The CHAIRMAN. I would recognize Senator Helms.

Senator HELMS. Mr. Chairman, I would be delighted to get into this line of questioning, but the 10-minute rule would inhibit me. But I seem to be the only one having any questions.

The CHAIRMAN. Then, without objection, the Senator may proceed.

Senator HELMS. Let me say that I wish John Tower had—I think I'm the only one at this table this morning who voted for Tower. I wish that he had had an opportunity to answer questions in public about his income and that sort of thing that was bandied around. He was not even allowed, after the fact of the charges, most of them, he was not allowed to defend himself.

I said yesterday, Larry, and I'll say again today that I think it is better for you to answer them now. I don't want to invade your privacy. I think I made that clear, Mr. Rogers, yesterday, did I not?

Mr. ROGERS. Yes.

Senator HELMS. OK. Let's proceed now.

I have some questions that will illustrate and perhaps emphasize where I'm coming from on this.

Bear in mind that C-Span is back there and the American people are watching this, and we have already had a multitude of telephone calls from all over the country wanting to know about this, what about that, and we just have a stock answer: Mr. Eagleburger will answer the questions. He is an honorable man. We're not going to take this thing into the political arena.

Now, we have to be extremely careful, in my judgment—maybe my colleagues don't think we do; that's up to them—on the matter of the sources of your income.

You know the big deal that was made about John Tower. He was a piker compared to your income.

In any case, we are dealing here with amounts of money that the ordinary American citizen simply does not understand. After the pay raise battle, maybe I don't understand it, either.

But your income is basically, or has been basically, received for providing advice, as I understand it. It must be extraordinary advice. So, let's go over it for the record.

According to the information you supplied to this committee, in 1988, you received $460,238 in salary and bonuses from Kissinger Associates.

Is that correct?

Mr. EAGLEBURGER. If that's what is on the form, yes, sir. I'll get my form out, but yes, sir.

Senator HELMS. Well, we got it from that information.

Mr. EAGLEBURGER. OK.

Senator HELMS. And in 1988, the same year, you received $213,872 in salary and bonuses from Kent Associates, according to the information you submitted.

For severance pay, you received $112,879 from Kissinger Associates—and you stop me if I'm in error in any of these—and in 1980, you received $130,000 in severance pay from Kent Associates.

Mr. EAGLEBURGER. In 1988.

Senator HELMS. What did I say?

Mr. EAGLEBURGER. I thought you said "1980," excuse me.

Senator HELMS. No, 1988. It's just my "yankee accent" that is throwing you off. [Laughter.]

In July 1989, you will receive an additional $87,121 in severance pay from Kissinger Associates. And also in July, you will receive an additional $110,000 in severance pay from Kent Associates.

By my arithmetic, that amounts to $1,114,110 in 1 year, just from the provision of advice to clients.

Now, that's not bad, with no heavy lifting.

Another point in your favor is that you did it without becoming a lawyer.

In addition, there was another $300,000 or $400,000 from various other fees, dividends, and honoraria.

Now, obviously, your clients thought it was worth their while to have your services because they kept coming back.

So, now you are coming back into Government, and I join with my colleagues who testified to your intelligence, your ability. That's not the point.

You are a very personable man. I like you personally. But you are coming back into Government to give the same kind of advice to this Government at a tiny fraction of your former fees, and I commend you for your willingness to do that.

But your situation is unique. Most people who come into Government from private enterprise have been entrepreneurs, managers, lawyers, or experts in trade or commerce. It is not difficult for them to separate themselves from the specifics of their former activities.

That is easy for the public to understand.

But your career in the private sector has been at a level that is beyond the ordinary, practical experience of most citizens. They find it hard to understand exactly what you've been doing.

Now, I don't suggest that it is not fine, open, and aboveboard. I believe it is fine, open, and aboveboard.

Without impugning your character, therefore, there are a lot of people who wonder whether the advice you might give to the President or to the Secretary of State might be colored by the ongoing interests of firms, foreign firms, underscore "foreign," who have been paying you substantial fees. That is why you are a unique case, and I think we discussed that the first time we met.

Not only do you have to be right, you have to have the appearance of being right.

Now, you testified yesterday that your income came not just from the specific clients with whom you worked directly, but from the general revenues of the firms from all clients. That is why I, for one, discussed with your attorney last evening the limited disclosure of the clients of Kissinger Associates and Kent Associates and so forth.

So, I'm trying to understand the difference between the work of Kissinger Associates and Kent Associates. Many of the same persons are involved in both, and some firms are clients of both.

Now, stop me if at any time I say anything that is not correct. I am telling you my understanding.

We had a discussion last night, very pleasant, with Mr. Rogers about this, and I think it would be helpful to get it on the public record.

Is it correct to say that the consulting provided by Kent Associates dealt more specifically with trade and commercial issues, while the consulting, on the other hand, provided by Kissinger Associates would be defined as political consulting, in the broad sense?

Mr. EAGLEBURGER. Correct.

Senator HELMS. Is that generally correct?

Mr. EAGLEBURGER. Yes, sir.

Senator HELMS. That is to say, informing or advising the client with reference to the domestic or foreign policies of the United States or the political or public interest policies or relations with foreign countries or foreign political parties.

Mr. EAGLEBURGER. That's not—I gave a long, I recognize long, description yesterday of the kinds of things we consulted on, Senator, and to try to narrow it to that description, it seems to me, is misleading.

Senator HELMS. Well, you state it, then.

Mr. EAGLEBURGER. I refer you to yesterday's record with regard to the sorts of things we did——

Senator HELMS. I'm trying to boil it down.

Mr. EAGLEBURGER [continuing]. And they focused very much on developments in foreign countries, the Soviet Union, Third World debt, the political scene in Western Europe and so forth, the United States political and economic scene, with particular emphasis of the impact of the budget deficit. I could go on—United States-Japanese relations.

But I want to emphasize that it was very broad and it was much more assessment than anything else.

Your description, it seems to me, focuses very much on the United States.

Senator HELMS. Well, all you said yesterday does include what I said, though.

Let me read it again: "Informing or advising the client with reference to the domestic or foreign policy of the United States"—right?

Mr. EAGLEBURGER. Not "advising." "Informing, assessing"—we gave no advice on these issues.

Senator HELMS. All right. I'll strike the word "advising," then. Informing the client with reference to the domestic or foreign policy of the United States, or informing the client as to the politi-

cal or public interest policies or relations with foreign countries or foreign political parties.

Now, this is where the cheese begins to melt.

Mr. EAGLEBURGER. I understand, Senator. I am not being cautious—well, I am being cautious in the sense that I am trying to make it clear that what we were not doing was advising our clients how to deal with the U.S. Government, we were not advising them on how to lobby the U.S. Government. What we were doing was trying to give them an assessment of a world situation.

I'm not trying to be evasive.

Senator HELMS. Now, Mr. Eagleburger, I'm not sure that we have any disagreement.

Mr. EAGLEBURGER. I'm not either.

Senator HELMS. But I'm saying that you didn't deal with any dumbbunny. No dumbbunnies make that much money to come to Kissinger or Kent Associates, or both. You don't have to advise them. So, I struck the word "advise."

Are you saying that you did not inform them of your assessment of what I said?

Mr. EAGLEBURGER. No, go ahead, Senator. For the moment I will accept that. I'm dragging this out and I do not want to.

What I want to make very clear is what we did not do. We did not in any way do anything that would violate the Foreign Agents Registration Act and we in no way lobbied the U.S. Government.

Within that context, I can accept your definition so long as you understand that what I am trying to make clear is what we did not do.

Senator HELMS. Well, I don't think I made any such suggestions.

Mr. EAGLEBURGER. OK. Fine.

Senator HELMS. Just settle down.

Mr. EAGLEBURGER. I'm settled.

Senator HELMS. We're friends. But I've got to find out. I may be the only member of the committee who is interested in this, but I am a member of the committee.

Mr. EAGLEBURGER. Senator, I'm not arguing that. What I——

Senator HELMS. Now, some of your clients were foreign corporations, foreign corporations, right?

Mr. EAGLEBURGER. Were foreign corporations, yes, sir.

Senator HELMS. ASEA—how do you pronounce that?

Mr. EAGLEBURGER. Just "Asea."

Senator HELMS. The first one is Sweden. Also, Daewoo Corp. in Korea; Ericssen, in Sweden; Fiat and SPA in Italy; Midland Bank, U.K.; Volvo, Sweden; Bell Telephone Manufacturing Co. in Belgium.

Mr. EAGLEBURGER. Correct.

Senator HELMS. Now, maybe you can allay my concerns, and I am not sure they are concerns. The definition of political consulting that I use, "informing," not "advising," the definition is taken from the Foreign Agents Registration Act, and that is what got you a little bit nervous when I read it to you.

Mr. EAGLEBURGER. "Nervous" isn't the right word. But my antenna went up, yes, sir.

Senator HELMS. Yes.

The law says, contrary to the protests I may hear from my colleagues here, the law says that anyone who acts as a political consultant to a foreign principal—and that includes foreign corporations—is required to register as a foreign agent and make all of their papers, agreements, and fees public.

That's a pretty good precedent. It is enacted by law.

Moreover, the definition of "political consultant" in this act is precisely the definition I used, minus the word "advise."

Let me read it to you—section 1(p):

> The term "political consultant" means any person who engages in informing or advising"—it's "or"—informing or advising any other person with reference to the domestic or foreign policies of the United States or the political or public interest policies or relations of a foreign country, or of a foreign political party.

Now, if you act as a political consultant to a foreign principal in this sense, you are required to register.

Now, has either Kissinger Associates or Kent Associates ever registered or sought an exemption?

Mr. EAGLEBURGER. We have never registered, Senator. We have never sought an exemption. As I said yesterday, on several occasions, we have never done anything that in any way violates the Foreign Agents Registration Act, and the gentleman sitting to my right worked with us on a substantial basis, time after time. We would consult with him to make sure that we did not do anything that violated the Foreign Agents Registration Act.

Senator HELMS. Whom did you consult with? I missed that?

Mr. EAGLEBURGER. Mr. Rogers, to my right, was someone who advised us on this subject on frequent occasions.

Senator HELMS. Well, I guess I ought to ask Mr. Rogers at this point, did you check this with the Justice Department?

Mr. ROGERS. Yes, Senator Helms, in this respect.

We have advised a wide number of clients with respect to the appropriate application of the Foreign Agents Registration Act. It has been our consistent view, which is based firmly on the legislative history of the act, that a political consultant is not required to register as an agent, unless he engages in "political activities," as defined, for his foreign principal. Senate Report No. 143, 89th Congress, 1st Session, at 9—this committee, I believe.

That interpretation has been consistently upheld in all the communications we have had with the Department of Justice.

Senator HELMS. Let me ask you again. Did you consult with the Justice Department or anybody there about whether you should register or not?

Mr. ROGERS. We have, as I said, consulted with the Justice Department on a number of occasions with respect to the appropriate interpretation of the act and on behalf of a number of clients. Whether we discussed the Kissinger Associates—I don't think we ever raised the Kissinger Associates business with the Justice Department because the interpretation that we have rendered to Kissinger Associates has been identical with the interpretation of the act we have rendered to a number of other clients.

Senator HELMS. Well, I'm sure that is your interpretation. But that doesn't answer the question of whether you're right or not.

You're a brilliant lawyer, I recognize that, and I'm not a lawyer, and I brag about that. But I've been around lawyers all my life. Out of curiosity, I believe I would have checked.

Mr. ROGERS. Well, I've been relying on what I thought was, in a sense, a higher authority, Senator, and that is the pronunciation of this committee with respect to the appropriate interpretation of the act.

Senator HELMS. Well, I'll have to go back and read the law a little bit. But the way I read it, the act does have an exclusion, for example, for foreign press, newspapers, et cetera, media. There is an exclusion for domestic corporations which are owned by foreign owners. There are exemptions, but the burden of establishing the exemption rests on the person seeking the exemption.

These are just notes I made.

There is an exemption for bona fide diplomatic personnel, except public relations officers. There is an exemption for persons engaging in "private and nonpolitical activities in furtherance of the bona fide trade or commerce of such foreign principal." There is an exemption for lawyers engaged in legal representation before a court or agency of the United States.

But I simply did not find—and maybe I was bleary-eyed at the time—but I did not find any exemption for political consultants.

Mr. ROGERS. Registration is required when those political consultants engage in political activities.

Let me cite you also the definitive interpretation of the act.

Senator CRANSTON. Is that an exemption that you read, then?

Senator HELMS. There is no exemption for political consultants. Was that your question?

Mr. ROGERS. The legislative history is what I cited, Senator.

Senator CRANSTON. It seems to depend upon what they are doing.

Senator HELMS. Pardon?

Senator CRANSTON. It seems to depend on what those political consultations amount to.

Senator HELMS. Well, of course, and an interpretation of who decides what they're doing.

Mr. ROGERS. Let me cite you the definitive interpretation of the District of Columbia Bar on this question: "The plain meaning of the definition," that is, Section 1(p) of the Foreign Agents Registration Act—the one you quoted—"the plain meaning of this definition is that merely providing certain information or advice to a foreign principal would attract the registration provisions of FARA. However, the legislative history of the definition, as reflected in the Senate and House reports on the 1966 amendments to the act, states that, 'a political consultant' would not be required to register as an agent unless he engaged in political activities, as defined, for his foreign principal."

Now, the contrary result produces really quite remarkable consequences. The theory would run any time I or anyone else discussed with a foreign principal the political process of the United States, even though we did nothing to affect the political atmosphere in this country, by propaganda, or advertising, or speechmaking, on behalf of that foreign principal, and did nothing to affect the policymaking process of the U.S. Government, we would, nevertheless, be required to register.

Every private conversation that we would have with a foreign principal would require registration. This has never been applied that way, and the legislative history has made crystal clear to a generation of lawyers that this is the appropriate interpretation.

Now, if we are wrong, I think the Congress ought to——

Senator HELMS. Well, I don't know that you are wrong in your assessment of the legislative history.

Now, I confess that I did not read the legislative history. Generally speaking, the legislative history around this place is not written by Senators; it is written by staff members.

I must confess to you that Senators don't even know, in many cases, what the legislative history is.

Senator CRANSTON. May I ask the Senator from North Carolina a question?

Senator HELMS. Well, let me finish my train of thought—unless it's——

Senator CRANSTON. I just wanted to ask you a question.

When you read the exemptions, did I hear correctly—I don't have the document that you're reading from—is there an exemption for bona fide involvement in trade and commerce?

Mr. ROGERS. Senator, I have that before me, if I could be helpful.

There is an exemption: "Any person engaging or agreeing to engage only (1) in private and nonpolitical activities in furtherance of the bona fide trade or commerce of such foreign principal."

Senator CRANSTON. That was what I wanted to know. Thank you.

Senator HELMS. But that would be Kent Associates, you see, not Kissinger Associates.

But they are almost indistinguishable. They are almost like a spinoff.

Senator CRANSTON. It says, "any person engaging or agreeing to engage only in private and nonpolitical activities in furtherance of the bona fide trade or commerce of such foreign principal." That is an exemption.

Senator HELMS. All right.

Mr. Chairman, I hate to fly by the seat of my britches. Let me find out something. [Pause.]

Maybe this will be helpful.

Let's differentiate between "political activities" and the term "political consultant." I'm going to read what the law says.

The term "political activities" means the dissemination of political propaganda and any other activity which the person engaging therein believes will or which he intends to prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States, or with reference to the political or public interest policies or relations of a government of a foreign country or a foreign political party.

Now, that's what you were——

Mr. ROGERS. That's precisely what we were talking about——

Senator HELMS. Yes.

Mr. ROGERS [continuing]. And precisely what Kissinger Associates never has done and never will do.

Senator HELMS. I'm not suggesting and never have suggested that you've done that.

Now, let me go further. The term "political consultant" mean any person who engages in informing or advising any other person with reference to the domestic or foreign policies of the United States or the political or public interest policies or relations of a foreign country or of a foreign political party.

Now that's the part you didn't read, sir. And you have done that. And when I say "you," I say that because you are a member of the board of Kissinger Associates; aren't you?

Mr. ROGERS. Yes.

Let me go back again to the advice that Congress rendered about the appropriate interpretation of this act. It said that "political consultant," as defined therein, which does not engage in political activities does not have to register.

Now, we have confirmed that with the Department of——

Senator HELMS. I beg your pardon, but that's not what it says.

Mr. ROGERS. That's what the legislative history says.

Senator HELMS. Well, I don't care what the legislative history says. I'll tell you what the law says. This is an anomaly.

Do you want to see it?

Mr. ROGERS. I know what the law says. I'll tell you what the Department——

Senator HELMS. Just tell me what a political consultant—in the law, what is a "political consultant"?

Mr. ROGERS. It is as defined in the statute. You are absolutely right.

Now, the question is whether or not a political consultant, somebody who does some of the activities mentioned in the definition there, but who does not do political activities, as defined in the statute, needs to register.

Senator HELMS. Mr. Rogers, you are chasing rabbits that I have not even cut loose yet.

I have not said that you've engaged in political activity, have I?

Mr. ROGERS. Not that I know of.

Senator HELMS. OK.

Mr. ROGERS. Do you agree that that is the prerequisite for registration?

Senator HELMS. I agree that the term "political consultant" applies to Kissinger Associates.

Senator BIDEN. He's about to shoot one of your rabbits, Jesse. Be careful.

Senator HELMS. Pardon?

Senator BIDEN. I say he's about to shoot one of your rabbits. Be careful. [Laughter.]

Senator HELMS. Well, if they are not political consultants, that is not a microphone [indicating].

Mr. Chairman, let me suggest, before we go further in this, t maybe Mr. Rogers would like to sit down privately with some of us back there, all of us, and see what we can work out on this thing.

Would you like to do that?

Mr. ROGERS. Oh, I'd be delighted to talk with you, Your Honor—I mean, Senator. I would also be prepared to point out to you a number of occasions on which the Department of Justice has rendered to us official written opinions, which are absolutely consist-

ent with the interpretation that Congress said was the appropriate one for this act.

Now, if there is some confusion about this, you all had better go back and relegislate.

Senator HELMS. Well, there is no confusion about what the law says.

Mr. ROGERS. Not in my mind, there isn't either.

Senator HELMS. Nor in mine.

Mr. ROGERS. OK.

Senator HELMS. You're just reading one section; I'm reading the other.

Mr. ROGERS. OK.

Now, is the question whether or not they should have registered? You agree that they shouldn't?

Senator HELMS. Pardon.

Mr. ROGERS. You agree that they don't have to register.

If you will agree that they don't have to register, I'll agree that——

Senator HELMS. I don't agree to any such thing. That is my point.

I think you'd better check with the Justice Department and read them paragraph (p) down here.

Mr. ROGERS. Well, if you want to talk about the Department of Justice's interpretation, let me bring to your attention an opinion that was rendered in response to an inquiry from us to the Department of Justice, Internal Security Section, Criminal Division, Chief Registration Unit, in which we explained that a certain client of ours—not Kissinger Associates, Inc.—was going to render advice and assessments to a foreign principal.

We laid out exactly what they were going to do at some length and gave them a copy of the contract. We received a letter back from the Department:

> This is in reference to your letter concerning XYZ client: Inasmuch as the client has agreed to prepare an informational-type report concerning current economic relations between the United States and Japan, its activities would not constitute acting as an agent of a foreign principal, as that term is defined in 1(c) of the act.

No registration was required.

Senator HELMS. Well, that's one case. That's one client.

Look, Mr. Rogers, Henry Kissinger was a revolving, peripatetic political entity. He still is. That is why Larry got well over a $1 million. That's why so much money came into there. They didn't hire Henry Kissinger, one, because he is good looking, or because he speaks English fluently, or whatever.

They hired him because he is knowledgeable about the politics of this Government and the world, for that matter.

The CHAIRMAN. To interrupt for a moment, the problem here, as I see it, is whether we confirm Mr. Eagleburger without being too concerned about the past. We are concerned about the present and the future. I would hope maybe we could recess for 10 or 15 minutes and that some arrangement could be arrived at.

I would accept the suggestion of the Senator from North Carolina that we go into the back room.

Senator BIDEN. Mr. Chairman, if I may, before we go into the conference room, I don't mind going into the conference room at all, but I am wondering what we are trying to resolve.

Are we going to resolve in the conference room whether or not the law was violated? Is that what we are going in to resolve—that is, the Foreign Agents Registration Act? Or are we going in the conference room to resolve whether or not Mr. Eagleburger is likely or willing to disclose more of what the firm did and who they represented.

I mean, what is the purpose we are going into the conference room for? I am just curious.

Senator HELMS. Well, in a sense, all of the above.

When Mr. Rogers left my office yesterday, last evening, we agreed that we would talk this morning about what could be worked out, if anything. I have not had a chance to talk with him.

You know, I may cease my line of questioning after I hear him.

Senator BIDEN. I think we should go in the conference room.

Senator HELMS. OK.

I thought I would persuade you.

The CHAIRMAN. We will recess and we will be back here in 15 minutes.

[A recess was taken.]

The CHAIRMAN. the committee will come back to order.

I simply want to announce that we are going to remeet, reconvene, in the back room here, at 12, and we hope to be through by about 12:15. So, we expect to see all of you at 12:15, and hopefully to vote on this this morning.

[A recess was taken.]

The CHAIRMAN. the committee will come to order.

At this point, the Chair would recognize the Senator from North Carolina, who has several questions he would like to ask.

Senator HELMS. Mr. Eagleburger, these are my final questions. I didn't get to them yesterday or this morning.

I will say to those who were not in the meeting that I've enjoyed the exchanges between the lawyers on the committee.

Mr. Eagleburger, you indicated in response to the committee's questionnaire that you serve on the board of corporations or divisions thereof that have undergone or are undergoing six criminal or civil investigations, indictments, or suits.

Are you aware of any similar actions, criminal or civil, which might have been taken against any of the companies with which you consulted in connection with your tenure at Kissinger Associates?

Mr. EAGLEBURGER. No, sir. I'm not.

Senator HELMS. For instance, were you aware that the Daewoo International, a South Korean conglomerate that you listed as an active client, was sued in 1985 by the Customs Service for dumping steel on the United States market to lure businesses away from American steel companies?

Mr. EAGLEBURGER. No, sir. I was not.

Senator HELMS. Were you aware that Korea has been seeking to purchase eight C–130's from Lockheed Georgia Co., on behalf of Daewoo, to sell to Libya to settle a debt owed to Daewoo by Libya?

Mr. EAGLEBURGER. No, sir. I was not.

Senator HELMS. Were you aware of reports that Daewoo was selling American designed M-16 rifle manufactured in Korea to foreign countries in violation of a United States-Korean coproduction agreement?

Mr. EAGLEBURGER. No, sir.

Senator HELMS. Did these subjects come up in any of your consultations with the officials of Daewoo?

Mr. EAGLEBURGER. No, sir.

Senator HELMS. Did you provide any information on these issues for Daewoo? Obviously, you did not.

Mr. EAGLEBURGER. No, sir.

Senator HELMS. If you were aware of this pattern of Daewoo's conduct—well, you've answered that.

During your previous service in Government, did you have any knowledge whatsoever of the U.S. Government's concerns about Daewoo and its compliance with U.S. agreements on nontransfer of technology?

Mr. EAGLEBURGER. No, sir.

Senator HELMS. Would you ever have had occasion to present to United States Government officials a representation that continuation of United States charges against Daewoo might endanger United States-Korean relations?

Mr. EAGLEBURGER. No, sir.

Senator HELMS. Did you ever meet with or discuss the issue of M-16 coproduction with State Department officials or other U.S. Government officials on behalf of Daewoo?

Mr. EAGLEBURGER. No, sir.

Senator HELMS. Specifically, did you see or receive any State Department briefings on any of these or related subjects?

Mr. EAGLEBURGER. No, sir.

Senator HELMS. Did you ever seek or participate in any discussion with any official of the U.S. Treasury Department with respect to any of these subjects?

Mr. EAGLEBURGER. No, sir.

Senator HELMS. I know that you must have performed a lot of work on behalf of the various clients, and I am not leading you into anything. But I am informed that Daewoo officials have acknowledged to journalists that you did, in fact, meet with officials at both the State Department and Treasury Department on their behalf.

You deny that?

Mr. EAGLEBURGER. Absolutely.

Senator HELMS. Do you have any idea why they would be under that impression?

Mr. EAGLEBURGER. I have no idea, sir.

Senator HELMS. Was the Alcatel Corp.—which is a French corporation, as you know—was it a client of Kissinger Associates?

Mr. EAGLEBURGER. No, sir.

Do you want me to explain what it is?

Senator HELMS. Pardon?

Mr. EAGLEBURGER. Alcatel is a company jointly owned by Compagnie General Electrique, of France, and ITT, which has about a 35-percent interest. It is a joint company, owned basically by those two corporations.

ITT went into it in about 1986 or 1987.

Senator HELMS. But you were on the board of directors of Alcatel?

Mr. EAGLEBURGER. The supervisory board, yes, sir.

Senator HELMS. I believe the record that you submitted showed that you received $30,000 in director's fees in 1988.

Mr. EAGLEBURGER. That's correct.

Senator HELMS. Now, according to the Financial Times of London, of last week, March 6, Alcatel is close to signing a contract to supply computerized telephone exchanges to the Soviet Union. The deal is considered one of the most significant examples ever of the transfer of high technology, goods, and equipment.

Until now, such equipment has not been allowed to be exported by COCOM, the Coordinating Committee on Multilateral Exports, of which the United States is a leading member. Now, this has not been allowed to be exported because this equipment can be used for high-speed military communications.

Do you believe that the Soviets can use this equipment, as is, or with upgrading for high-speed military communications?

Mr. EAGLEBURGER. If that's what the claim is, I'm sure it's correct, Senator.

Senator HELMS. As a future policymaker, would you approve the transfer of high-speed communications equipment with a military use in this or in any other case?

Mr. EAGLEBURGER. To the Soviet Union?

Senator HELMS. Yes.

Mr. EAGLEBURGER. No.

Let me go on to say that I do not recall in my service on the supervisory board that this issue came up. But if it would have, or if it did, in fact, the argument would very strenuously be, from the ITT point of view, at least, that it should not have proceeded.

Senator HELMS. The final question in this line is what was the specific role of Kissinger Associates in promoting this high technology with a military use—and I assume the answer is none.

Mr. EAGLEBURGER. None.

Senator HELMS. You did say "No"?

Mr. EAGLEBURGER. None. None.

Senator HELMS. OK.

Just to go back for a moment, I have the Registration of Foreign Agents in the United States before me, with reference to whether registration is required. It says, "Moreover, registration would not be required unless the information or advice"—and we agreed this morning, or you've testified that you gave no advice, you just gave information—"is with reference to the policy matters described in section 1(p). While it is sometimes difficult to determine whether information or advice relates to policy matters, the discussions in section 3(a)(2) and 3(a)(3) supra, and the following further statement drawn from the legislative history may provide assistance. the committee does not intend"—and we're talking about political consultants—"the committee does not intend the provisions to apply to cases in which a lawyer merely advises a client concerning the construction or application of an existing statute or regulation, as for example, whether a contract bid meets a government agency's specification. Where, on the other hand, the advice is mainly concerned with the U.S. policy behind a given law, or where the

purpose of the persuasion is to effect a change in existing policy, the provisions are intended to apply."

Now, Mr. Chairman, I ask unanimous consent that an article written by Leslie H. Gelb of the New York Times, headed "Kissinger Means Business," be made a part of the record.

I ask that a designated portion be printed in italics so that it will be immediately apparent.

The CHAIRMAN. Without objection.

[The information referred to follows:]

[From the New York Times, Apr. 20, 1986]

KISSINGER MEANS BUSINESS

(BY LESLIE H. GELB)

On the corner of Park Avenue and 52d Street in New York City sits an office building whose lobby contains the First American Bank of New York, Chase Private Banking International, and, embedded in a marble post, a computerized building directory. Punch "U" and such names as Peter Ueberroth, the commissioner of major league baseball, come up. But punch "K" and you will not find Kissinger Associates, for Henry A. Kissinger still receives threats, so, for security reasons, you have to be invited to learn what floor his firm is on.

I have been invited, and the elevator sped to its destination. The doors opened onto a reception room and a receptionist, but no identification of the firm. Only when the receptionist answered the phone and said "Kissinger Associates" was I sure I was in the right place. "Governor Cuomo's office?" the woman said. "Yes, I'll put you through."

I was ushered into a windowless inner waiting room, nothing particularly elegant. On a coffee table were The New Republic, American Heritage, and Fortune. Words drifted across the hallway from Alan Stoga, the firm's one and only economist, who was on the telephone talking about Saudi Arabian oil strategy. He was apparently sharing with a client the insight that the Saudis were seeking to maximize their profits.

Mr. Kissinger walked out of his office, reading a sheet of paper. He greeted me and said he would see me shortly. The former National Security Adviser and Secretary of State is chairman and sole owner of Kissinger Associates, which, he said in the interview a little later, dispenses "geopolitical-economic advice" and helps clients "with their international planning."

The clients of Kissinger Associates include Shearson Lehman Brothers and the American Express Co., which retain the services of the firm for a fee of $420,000 annually. For this, Mr. Kissinger speaks about four times a year at luncheons and dinners for Shearson Lehman and makes himself and his associates available for periodic contacts with the top leadership of the investment banking firm's parent, American Express. A more typical fee—for far less service—runs about $150,000 annually, and the chief executive officers and presidents of the various business institutions that have signed on seem glad to pay it.

The Kissinger firm provides no written analyses, but it seems clear from talking to clients that in addition to oral analyses they are buying Mr. Kissinger's instantly recognizable face and his famous German-tinged basso voice—his stardom and the status that goes with it, if you will.

The two other top members of the firm are Lt. Gen. Brent Scowcroft, President Ford's National Security Adviser, and Lawrence S. Eagleburger, who was an Under Secretary of State in the Reagan administration.

Mr. Kissinger, of course, is not by any means the only former Government official to have gone into business for himself. Others in recent years include Alexander M. Haig, Jr., who was Chief of Staff for Richard M. Nixon and Secretary of State for President Reagan. Two former Directors of Central Intelligence, Richard M. Helms and William E. Colby, also went into business for themselves. Donald F. McHenry, Chief Delegate to the United Nations under President Carter, and Richard V. Allen, President Reagan's first National Security Adviser, made the same decision, as have a host of others.

By all indications, these prime international consultants are doing quite well, as corporations move away from having in-house staffs to do political-risk analysis—predicting the political fate of a country or region or issue. It is this function that is the lifeblood of the international consultants. These consultants are not lobbyists in

the strict sense of the word, spending their time persuading American officials to help their clients. And yet, some of them are involved in selling their influence at home and almost all do so abroad.

Mr. Kissinger and his associates are by all accounts the most successful of this new breed of former senior Government officials who have decided to advise big businesses rather than join them. Their predecessors, many of whom found the doors of their banking and law firms still open when they left Government service, beat a path back. Robert A. Lovett, for instance, went from being President Truman's Secretary of Defense back to Brown Brothers Harriman & Co., and Secretary of State Dean Acheson returned to Covington & Burling after serving Presidents Roosevelt and Truman.

Although David A. Stockman left the Office of Management and Budget for Salomon Brothers, big business is too small for many of the new generation of Government superstars. Defense Secretaries in recent times have been responsible for millions of people and budgets in billions. Secretaries of State not only run American foreign policies but also are news media stars. Not even the most gargantuan multinational company can compete in scale with these Government operations. At the same time, most big businesses do not want these former officials, at least not as chief executive officers, and the officials want nothing less. "What do they know about our businesses?" one senior oil executive asked rhetorically.

So, many of these former Government leaders asked themselves, why not capitalize on our stardom, international contacts and inside knowledge to make large incomes on our own? At the same time, they sought something more. "I wanted to preserve freedom for myself and do lots of different things," said James R. Schlesinger, who held senior Cabinet posts in the Nixon, Ford, and Carter administrations and who now spends some time on the payroll of Shearson Lehman, some with the Washington-based Center for Strategic and International Studies, and some free-lancing.

No one does more different things with the freedom afforded by his consulting business than the 62-year-old Mr. Kissinger. He lets his name be floated as a candidate for the Governorship of New York. (The day of my visit and of the call from Governor Cuomo's office was, in fact, the day Mr. Kissinger issued his statement saying he would not seek the nomination for Governor of New York.) He writes a column for the Los Angeles Times syndicate and presents analyses for ABC television. He gives free speeches at Republican fundraising events for such people as Representative Jack F. Kemp of Buffalo and Vice President Bush. He is greeted by the French President at Elysee Palace and by the Chinese leader Deng Xiaoping in his inner office. He gets involved in behind-the-scenes battles at the very establishment New York-based Council on Foreign Relations. And there seems to be plenty of time left over for socializing with the beautiful people, including designer Oscar de la Renta. The television appearances, the socializing the politicking, the international consulting—all reinforce each other.

But it is very difficult to pin down what Mr. Kissinger and the others are really doing in the business end of their lives. None will say for attribution who their clients are or discuss the specifics of what they do, although they do talk about their work with the understanding that they not be identified, and their accounts of their business activities are surprisingly similar. Kissinger Associates requires a clause in its contracts stating that neither the firm nor its clients will divulge a business connection, although in practice some clients do acknowledge the relationship.

It is known that Kissinger Associates' client list includes H.J. Heinz, Arco, and American Express and Shearson Lehman. It is said that the roster also extends to Fiat, Volvo, the Fluor Corp., the International Energy Corp., ASEA and L.M. Ericsson of Sweden, Midland Bank of Britain, and Montedison of Italy. With very few exceptions, however, those who agreed to talk about their business offered little detail. Almost none had a bad word to say about Kissinger Associates.

As I stood peering out of the Kissinger Associates waiting room, Mr. Eagleburger walked in. The 55-year-old president of the firm had served as an Under Secretary of State for Political Affairs. He said that the freedom and the money involved in being a consultant were wonderful, and he hastened to add, "It's not like going from the State Department to selling toothpaste. I'm still dealing with subjects I think I know something about."

The firm, he said, was started in 1982 with loans from places like E.M. Warburg, Pincus & Co., the investment bankers. All the firm's personnel, save Mr. Kissinger as sole owner, are salaried. (None will say what those salaries are.) The New York staff totals 11, including Mr. Eagleburger, Mr. Stoga (formerly of the First National Bank of Chicago), and two other consultants. The Washington office is run by General Scowcroft and has three researchers and four clerks. Including Mr. Kissinger's

bodyguards, this brings Kissinger Associates to about 25 people. In addition, Mr. Kissinger has a separate Washington office from which he runs his "private" affairs, such as speechmaking. He speaks for a fee about 20 times a year—his charge is usually $20,000—and makes another 20 or so free appearances for various causes and political fundraising.

The firm's board of trustees reads like an international "Who's Who." It includes William D. Rogers, a former Under Secretary of State and now a Washington lawyer; Saburo Okita, former Japanese Foreign Minister; Pehr Gyllenhammar, chief executive officer of Volvo; William E. Simon, former Treasury Secretary; Sir Y.K. Kan, former chairman of the Bank of East Asia; Robert O. Anderson, former chairman of Atlantic Richfield; Lord Roll, chairman of S.G. Warburg & Co.; and Edward L. Palmer, former chairman of the executive committee of Citibank. Many of the trustees help the firm obtain clients.

According to various members of the firm, it has 25 to 30 clients, each paying slightly more than $150,000 yearly for varying services. Gross income thus apparently approaches $5 million a year.

The maximum amount of service seems to be four planning meetings a year between Kissinger Associates and the top management of a client, plus telephone calls. That is the case with the H.J. Heinz Co., according to sources there. The minimum appears to be $150,000 for a few telephone calls plus a visit by a chief executive officer of a client to Mr. Kissinger's office. Such is the case with the International Energy Corp. of Stamford, CT, according to a source close to that company. The extent of the service sometimes seems to depend on how much the client demands.

"You have to remember that the fee is not compulsory," Mr. Kissinger says, "so you have to assume that if it isn't worth their while, they wouldn't pay it."

Henry Kissinger's L-shaped office is decorated with plants, photographs, and paintings, with a desk at one end and a sitting area at the other. The interview, most of which Mr. Eagleburger sat in on, ranged over Mr. Kissinger's activities.

Mr. Kissinger said the firm began by doing only general analysis of international affairs. Then, with the addition of Messrs. Scowcroft, Eagleburger, and Stoga, it got into "much more detailed analysis of international politics and economic problems in relation to business activities." As they got to know their clients better, "we could bring our analyses to bear on more specific issues and give them our opinion on how to handle it." He declined to discuss any specific advice given to any client, save to say that he told some that, contrary to the judgment of many banks, the international debt crisis was going to get worse, not better. Several executives of his client firms stated that Mr. Kissinger had advised them against investing in South Africa, yet he has taken a public position against economic sanctions there. Asked about this, Mr. Kissinger said only, "I don't think I should comment." Then, sitting back and reflecting on the work he does, he added, "You have to remember that many of these businesses have no experience whatever in dealing abroad."

That lack of knowledge and its attendant vulnerability came crashing down on American businessmen with the double blows of the Arab oil boycott of 1973 and the fall of the Shah of Iran in 1979. This is when the international consulting business took hold, when corporations started searching for people who might be able to give them some forewarning of catastrophe and some way to take advantage of all of those petrodollars in the hands of oil-producing states.

It was then that political-risk analysis became fashionable in a big way, with the use of inside staffs and outside experts. After the Iranian upheaval, many of these experts formed a group called the Association of Political Risk Analysts. According to Joan Walsh Cassedy, executive director of the group, it swelled to about 400 members, essentially staff-level people, from major corporations and consulting firms. However, with so much money to be made, people with far more formidable credentials were needed. Who better than former senior Government officials—even though many of them had been responsible for failing to foresee catastrophes in the first place. (Many of the major multinational oil companies had been much more on top of events than Government experts.)

There were a number of risk-analysis publications, but corporate leaders wanted more, especially "inside information." Reflecting on this, a senior executive in a multinational company, who once served in Government, said, "The bosses simply did not understand that being in Government and even having access to the most highly classified intelligence and the cables from embassies does not provide any advantages over a careful reading of the best newspapers, and maybe less than that, because the solid newspaper articles are built on inside information plus talking to foreign officials who might be more frank with a reporter than a Government offi-

cial." As this executive saw it, "The C.E.O.'s needed someone to look in the eye and put questions to."

This need has been far greater on the part of American businessmen than their Western European and Asian counterparts, according to a number of international consultants. "American businessmen don't know as much about how our Government works or how foreign governments work compared to their foreign competitors," said one senior international consultant. "It's a cultural thing. They see the Government as the enemy. European and Japanese businessmen work in environments where there is a more intimate relationship between Government and business."

Besides inside information, the executives, according to Robert D. Hormats, a vice president of Goldman, Sachs & Co. and a former High-level bureaucrat, have been looking for such things as "a second opinion about a country or an issue from someone with a general sense of the environment." Hiring an authoritative outside consultant, he said, establishes "due diligence," to show that steps have been taken to secure reasonable judgment about a situation before making an investment. "If anything went wrong, the executives were protected," he said.

And, of course, these international consultants do have contacts. Mr. Helms, as a former Ambassador to Iran, certainly knew who to talk to there. Richard V. Allen, fresh out of the Nixon White House, where he worked on trade issues among other matters, knew the people here and in Japan to talk to about trade matters. The superstar international consultants were certainly people who would get their telephone calls returned from high American Government officials and who would also be able to get executives in to see foreign leaders.

Those who hire Henry Kissinger give him rave reviews. "He's terrific, direct, enthusiastic, has unique insight and judgment and participates actively and constructively in meetings," says James D. Robinson III, chief executive officer of American Express. "Having him as a speaker at a luncheon or dinner is an effective way to gather in clients."

This view is seconded by Peter M. Dawkins, a managing director at Shearson Lehman, who added that the people at these affairs love it when "Henry reveals some aspects and facets of the things which are not normally part of the public domain."

Peter J. Solomon, vice chairman of Shearson Lehman, says, "Henry is helpful to us not in specific transactions, which he may be, but because part of the reason one uses an investment banker like Shearson Lehman is the company they keep." Having him speak is a way of saying "I'm affiliated with these guys."

Moreover, Mr. Solomon continues, "Henry adds a little perspective" to people who "are driven by microexperiences. And we can afford to have people who make us think about the world."

Stephen J. Giovanisci, vice president of public affairs for Atlantic Richfield, acknowledged that Arco was a Kissinger client and said that "it is awfully difficult to measure value" when it comes to consultants, especially in "public affairs, and I put Kissinger in that category." Like all others interviewed, he noted that Mr. Kissinger dealt only with the president or chairman of the corporation.

The fullest picture of what Kissinger Associates does for a client was painted by Anthony J.F. O'Reilly, chief executive officer of Heinz. "Kissinger and his associates make a real contribution, and we think they are particularly helpful in countries with more centrally planned economies, where the principal players and the dynamics among the principal players are of critical importance," he said. "This is particularly true in China, where he is a popular figure and is viewed with particular respect.

"On China, basically, we were well on our way to establishing the baby food presence there before Henry got involved. But once we decided to move, he had practical points to offer, such as on the relationship between Taiwan and Peking. He was helpful in seeing that we did not take steps that would not have been helpful in Peking.

"His relevance obviously varies from market to market, but he's probably at his best in helping with contacts in that shadowy world where that counts." In this category he included Africa, and cited a recent meeting he had held with President Felix Houphouet-Boigny of the Ivory Coast, who "was well aware of Henry's intervention and support."

Asked if he would like Mr. Kissinger to participate in negotiating an actual transaction, he answered, "Not at all." This was much the same response given by Mr. Robinson. "It would be an unnecessary distraction," Mr. O'Reilly added.

"Henry is not a man who's lived his life in commerce," Mr. O'Reilly said. "His strength is analyzing people and their power base. He has a durable and great in-

ventory of contacts. To say that he is a door opener sounds mildly disparaging, but it is helpful in countries with rusty hinges."

Mr. O'Reilly also made clear that he did not use Mr. Kissinger for help in Washington, where he employs the William Timmons lobbying firm. This was a typical response from Kissinger clients, who apparently have concluded that his clout is far greater abroad than in Washington—particularly in the Reagan administration's Washington. Their general view is that Mr. Eagleburger and General Scowcroft have greater standing there than their boss. In Washington, Mr. Kissinger still has many enemies among strong conservatives and liberals alike.

Echoing a sentiment of other Kissinger clients, Mr. O'Reilly commented that "Henry's contacts are durable, but by their very nature they are a diminishing asset." Mr. O'Reilly feels that Mr. Kissinger "must see that substantial sums of money come from contacts and business deals in which he is not a participant," so maybe "Henry is thinking of merchant banking" and making deals.

Mr. Kissinger, when told others think his contacts may be of waning value, says, "Well, they may be right." He goes on to say that when he has been approached and asked to make business connections, "We pass it on to somebody who is qualified to do it, but we are not promoting deals and our income doesn't come from deals."

According to sources at Shearson Lehman and American Express, however, Kissinger Associates has been trying to negotiate deals. One persistent report is that Mr. Kissinger is trying to get American Express together with a Hong Kong-based conglomerate, the Ever Bright Industrial Co., run by Wang Guangying, a businessman sent by Peking to the island to arrange for high-technology imports to China.

In response to a question, Mr. Kissinger said that he "absolutely" did not see himself as a "door opener," using his Government service to arrange meetings for clients with governmental leaders.

I pointed out that "There are people at H.J. Heinz who say you opened some doors for them in Africa and elsewhere."

"Maybe one case," he said.

"Didn't you also arrange meetings for the C.E.O. of Heinz to meet several African leaders such as Robert Mugabe and Houphouet-Boigny?" (Robert Mugabe is Prime Minister of Zimbabwe.)

"Mugabe he knew before I did, and maybe Houphouet-Boigny indirectly," Mr. Kissinger said. Mr. Eagleburger added, "Even in the case of Houphouet, you said 'I'm not going to do it, but I'll put you in touch with someone who can.' "

Mr. Eagleburger interrupted again: "If you're going to take specific cases like this, Henry, you have to be protected and not say Kissinger says so-and-so is a client." Mr. Kissinger said, "Of course."

"But," I said, "according to O'Reilly, you also arranged a meeting for him with Ozal." (Turgut Ozal is Prime Minister of Turkey.)

"I don't believe in fact we did this," Mr. Kissinger replied.

"Let me explain our policy," Mr. Kissinger went on. "We will not take on someone as a client who says, "Will you introduce us to somebody for a fee?" I don't say we will never do it. What I resist is the proposition that if somebody wants to go to Turkey, for example, we will introduce them to Ozal. Only as part of an ongoing relationship, when we have a continuing interest in a company, do we do this, growing out of that continuing relationship. But it is not the major part of our effort.

"I literally could have made millions when I left Government with my name alone. There was one where somebody offered me a million dollars for meeting the Finance Minister of Iran, who at that time was a close friend of mine. I waited 6 years out of office before I set up this business. We are hired on the basis of our knowledge of geofinancial international affairs, our planning abilities, and in 9 cases out of 10 the issue of introductions does not arise."

The question of possible conflicts of interest arises because of such activities as Mr. Kissinger's chairmanship of President Reagan's Commission on Central America; Kissinger Associates is known to have banking clients with interests in that part of the world. Mr. Kissinger simply asserted that there was not conflict, that he kept his policy recommendations separate from his business interests. He is also a member of the President's Foreign Intelligence Advisory Board, a group of private citizens who review intelligence. Mr. Kissinger said the meetings of this group covered only intelligence personnel and procedures, and "what our clients are interested in, the conditions in countries, is for all practical purposes never discussed." He went on: "There may be one or two exceptions occasionally, but literally none come to mind."

General Scowcroft bridles at the conflict-of-interest issue. He was chairman of the President's Commission on Strategic Forces, which made recommendations on new

nuclear weapons and arms control. "People aren't asked to work on a commission unless they know what they're talking about," he said. "It takes a tremendous amount of time and it is done gratis for the national interest." He says that he has only one client that is a major defense contractor, and he talks to that corporation not about arms but about "the future of arms control and Soviet-American relations."

Mr. Kissinger says that he does not have to be on commissions to get inside information, that he could at any time telephone the national security adviser or use his wide range of contacts.

Reminded of his well-known disdain for matters economic, he noted that this began to change at the end of his tenure at the State Department. Now, he says, "I think that in the modern world, if you don't understand the relationship between economics and politics, you cannot be a great statesman. You cannot do it with foreign policy and security knowledge alone."

Senator HELMS. I believe that just about does it.

Now, do you wish to discuss what went on in the back room?

The CHAIRMAN. Well, I think that is an understanding.

My own would be to move right along with the vote. I will read you my motion at this time, if we are prepared to vote.

Senator HELMS. Well, I have to know, Larry, whether you will proceed with your voluntary—yesterday, with respect to recusal, and the furnishing of the very limited list—I think it is eight——

Mr. EAGLEBURGER. I'm not sure of the number.

Senator HELMS. Well, it's in that neighborhood.

Mr. EAGLEBURGER. Let me get this straight, then, Senator.

Senator HELMS. With that, I am prepared to move forward.

Senator HUMPHREY. Mr. Chairman.

The CHAIRMAN. I would add that this is a completely voluntary statement on the part of Mr. Eagleburger.

Yes, Senator Humphrey.

Senator HUMPHREY. Mr. Chairman, I intend to support the nomination, but I want to give notice at this time of my intent, desire and intent, to file additional views.

The CHAIRMAN. All right. We will have a separate vote afterward.

Let me read my motion. I move the committee report Mr. Eagleburger's nomination with a favorable recommendation and without an accompanying report, recognizing that the full transcript of these proceedings will be available.

If you would like a division on that, so that we can vote on the report, we can have one.

Senator HELMS. Mr. Chairman, that is not in order. Whoever gave you that advice—because the committee's rules says a member of the committee who gives notice of his intentions to file supplemental, minority, or additional views at the time of final committee approval of a measure or matter shall be entitled to not less than 3 calendar days in which to file such views.

The CHAIRMAN. But I believe I am correct in saying—correct me if I am wrong—that this only applies if there is a report. If there is no written report, then that is obviated.

Senator HELMS. No.

The CHAIRMAN. I think that's what it says.

Senator HELMS. On page 41—the Senator can defend his own position, but I, as the ranking member, I don't want a violation of the rules to occur. I say that with all due respect.

On page 41, under (c), it says, "If, at the time of approval of a measure or matter by any committee except for the Committee on Appropriations, if any member of the committee gives notice of intention to file supplemental, minority, or additional views, that member shall be entitled to not less than 3 calendar days," and so forth and so on.

The CHAIRMAN. I believe I am correct, again, in saying that that provision kicks in only if a written report is filed. If the report is not filed, or if it is voted not to file a report, then that provision would not apply.

Senator HUMPHREY. Mr. Chairman, I am a new member of the committee, so I don't know precisely how the rules have been applied in the past. But, reading paragraph (a), it says "when the committee has ordered a measure or recommendation reported, the report thereon shall be filed in the Senate at the earliest practicable time."

I assume and expect the committee will report the nomination to the floor.

This paragraph seems to imply that under all circumstances, a report shall be filed. It says the report thereon shall be filed at the earliest practicable time.

The CHAIRMAN. The point here is, the practical point is whether Mr. Eagleburger gets confirmed before the Easter recess or whether it will be a matter of 2 or 3 weeks later on.

In the past, we have reported, on occasion, nominations without a report. There is nothing exceptionally odd or new about it, and I would suggest we first, then, vote simply on the recommendation of the candidate, of the nominee, and then have a separate vote on the question of the report, as a matter of courtesy.

Senator HELMS. Well, I don't have any objection to the first vote, but I would just say to you that the second vote would be out of order.

Why don't we express our support for——

Senator HUMPHREY. Mr. Chairman, with all due respect, I believe that is a misapplication or a misinterpretation of the rule.

I could be mistaken, but it appears to me the chairman's interpretation is mistaken in this case and that in any event, the whole matter might be subject to a point of order on the floor if the committee has reported it out in violation of the rules.

The CHAIRMAN. I think that you are talking about a measure, as opposed to a nomination.

But, in any case, I would suggest, as you know, in the last analysis, it depends on the votes.

I would suggest that we go ahead and vote on the favorable reporting of the nominee.

Senator HELMS. Just a report on the nominee, without——

The CHAIRMAN. And then we'll have a separate vote on whether there should be a report, a written report.

You will say it is out of order and I'll say it is in order. We'll have the vote.

Senator HELMS. And we'll see who's right.

The CHAIRMAN. Right. Well, the vote may not be with the one who is right. We'll see.

At any rate, the clerk will call the roll.

Ms. ALLEM. Mr. Biden.
Senator BIDEN. Aye.
Ms. ALLEM. Mr. Sarbanes.
Senator SARBANES. Aye.
Ms. ALLEM. Mr. Cranston.
Senator CRANSTON. Aye.
Ms. ALLEM. Mr. Dodd.
[No response.]
Ms. ALLEM. Mr. Kerry.
Senator KERRY. Aye.
Ms. ALLEM. Mr. Simon.
[No response.]
Ms. ALLEM. Mr. Sanford.
[No response.]
Ms. ALLEM. Mr. Moynihan.
[No response.]
Ms. ALLEM. Mr. Robb.
Senator ROBB. Aye.
The CHAIRMAN. Forgive me. Mr. Moynihan, I have his proxy; he, Mr. Simon, and Mr. Dodd all are aye.
Ms. ALLEM. Mr. Helms.
Senator HELMS. Aye.
Ms. ALLEM. Mr. Lugar.
Senator LUGAR. Aye.
Ms. ALLEM. Mrs. Kassebaum.
Senator HELMS. Aye, by proxy.
Ms. ALLEM. Mr. Boschwitz.
Senator HELMS. Aye, by proxy.
Ms. ALLEM. Mr. Pressler.
Senator PRESSLER. Aye.
Ms. ALLEM. Mr. Murkowski.
Senator MURKOWSKI. Aye.
Ms. ALLEM. Mr. McConnell.
Senator MCCONNELL. Aye.
Ms. ALLEM. Mr. Humphrey.
Senator HUMPHREY. Aye.
Ms. ALLEM. Mr. Mack.
Senator MACK. Aye.
Ms. ALLEM. Mr. Chairman.
The CHAIRMAN. Aye.
On this vote, there are 19 ayes and 0 nays.
The nomination is forwarded to the floor of the Senate.
Now we come to the question raised by Senator Humphrey about the report.
I would move at this point that the report, that a written report, not be required.
Senator KERRY. I second that.
Senator HELMS. I ask for a rollcall vote because this is a clear violation of the rules.
The CHAIRMAN. I would add, in that regard, that we just checked by telephone with the parliamentarian, and he indicated support of the view I advanced.
In any case, let the clerk call the roll.
Ms. ALLEM. Mr. Biden.

Senator BIDEN. Aye.
Ms. ALLEM. Mr. Sarbanes.
Senator SARBANES. Aye.
Ms. ALLEM. Mr. Cranston.
Senator CRANSTON. Aye.
Ms. ALLEM. Mr. Dodd.
The CHAIRMAN. Aye, by proxy.
Ms. ALLEM. Mr. Kerry.
Senator KERRY. Aye.
Ms. ALLEM. Mr. Simon.
The CHAIRMAN. Aye, by proxy.
Ms. ALLEM. Mr. Sanford.
[No response.]
Ms. ALLEM. Mr. Moynihan.
The CHAIRMAN. Aye, by proxy.
Ms. ALLEM. Mr. Robb.
Senator ROBB. Aye.
Ms. ALLEM. Mr. Helms.
Senator HELMS. No.
Ms. ALLEM. Mr. Lugar.
Senator LUGAR. Aye.
Ms. ALLEM. Mrs. Kassebaum.
Senator HELMS. Aye, by proxy.
Ms. ALLEM. Mr. Boschwitz.
Senator HELMS. Aye, by proxy.
Ms. ALLEM. Mr. Pressler.
[No response.]
Ms. ALLEM. Mr. Murkowski.
Senator MURKOWSKI. Aye.
Senator HELMS. Mr. Pressler is no, by proxy.
Ms. ALLEM. Mr. McConnell.
Senator MCCONNELL. Aye.
Ms. ALLEM. Mr. Humphrey.
Senator HUMPHREY. No.
Ms. ALLEM. Mr. Mack.
Senator MACK. Aye.
Ms. ALLEM. Mr. Chairman.
The CHAIRMAN. Aye.
On this vote, there are 15 ayes, 3 nays. The motion is agreed to.
That winds up our business. The committee will recess.
[Whereupon, at 1:10 p.m., the committee recessed, to reconvene at the call of the Chair.]

APPENDIX

Responses by Mr. Eagleburger to Questions Asked by Senator Pell

Ratification of Pending Treaties

Question. As you may know, I was quite committed to getting the Genocide Convention through the ratification process, which was completed just last year. I know that in the past, you were also a supporter of that convention.

You are aware that there are a number of other treaties on international human rights matters currently before the Senate; namely, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social, and Cultural Rights, the American Convention on Human Rights, the International Convention on the Elimination of All Forms of Racial Discrimination, the International Convention on the Elimination of All Forms of Discrimination Against Women, and most recently, the Convention Against Torture and Other Cruel, Inhuman, or Degrading Treatment or Punishment which was forwarded to the Senate just last year.

What is you commitment to working with us in seeing that these treaties are ratified and that the process moves forward as quickly as possible.

Answer. The Convention Against Torture was signed by the Department of State last year and transmitted to the Senate with the recommendation that it be ratified. Of all the covenants and conventions before the Senate, I believe that the Convention Against Torture is the most likely to win general approval. I am anxious to work the Senate toward early ratification of this and other international human rights covenants and conventions.

American Business for Soviet Rockets

Question. Recent press reports indicate that the Soviets intend to seek United States export licenses that will enable them to launch United States-built satellites. About a year ago, Secretary Shultz reiterated that it is United States policy to prohibit the export of United States-built satellites to the Soviet Union. This policy assures that militarily sensitive technology will not be transferred to the Soviet Union and that the United States commercial launch industry will not be destroyed by subsidized Soviet launches.

Will this policy continue under Secretary Baker and President Bush?

Answer. The United States Government's longstanding policy is to deny the export to the Soviet Union of space electronics equipment and related technologies with significant military applications. This policy is stipulated in the International Traffic in Arms Regulations. Soviet officials have been informed of these prohibitions.

There is broad agreement that at this time adequate measures do not exist and could not be devised to safeguard United States technology while a satellite is being processed for launch on a Soviet vehicle. As I indicated during my confirmation hearings, I do not expect that current policy will change.

PREPARED STATEMENT OF SCOTT THOMPSON

Thank you, Mr. Chairman, for the opportunity to submit testimony for the record on the nomination of Mr. Lawrence Eagleburger to become Undersecretary of State.

The National Democratic Policy Committee is adamantly opposed to Mr. Eagleburger's nomination, and strongly urges that he be rejected by this committee and the Senate.

While there was much innuendo in the instance of the nomination of Senator John Tower to be Defense Secretary, that there was a conflict-of-interest arising from his work as a consultant for the defense industry, in the instance of Lawrence Eagleburger there is a definite "smoking gun" that arises from his work as president of Kissinger Associates: a firm that Eagleburger joined only one month after he left office as Undersecretary of State for Policy in the Reagan administration.

On February 16, 1989, Walter Pincus of the "Washington Post" wrote an article entitled "Eagleburger to Limit Role in Dozen Countries" that reported: "Lawrence S. Eagleburger...will recuse himself from dealing with specific companies and industries operating in more than a dozen countries because of potential conflicts of interest, according to sources close to the nominee. Eagleburger has decided not to take part in any matter that could affect his former clients, the sources said, in order to avoid any appearance of a conflict of interest....The full nature of Eagleburger's recusals, including how long they would be in effect, still is being worked out between the State Department, the White House counsel's office and Office of Government Ethics and will be sent to the committee when they are finished, according to sources."

The Senate Foreign Relations Committee and the full Senate must put these potential conflicts-of-interest under a microscope to determine whether or not Eagleburger could be an effective Undersecretary of State. The NDPC believes that a rigorous analysis of the clients of Kissinger Associates would not only force Eagleburger's recusal from such major issues as East-West trade and Third World debt, but also from dealings with about a dozen countries that are competitors in the world market with the United States. The question is therefore posed whether an Undersecretary of State so encumbered by recusals could be at all effective, and the NDPC believes that Eagleburger could not. In order to assist such an analysis, my testimony will highlight the nature of the conflicts Mr. Eagleburger faces through his employment as president of Kissinger Associates, a global consulting firm that has been described as a "miniature State Department."

*Italy. Mr. Eagleburger's personal client in Italy is Montedison S.p.A., which is involved in joint venture negotiations to retool the Soviet petrochemical industry that, Pentagon sources admit, would potentially significantly augment the awesome Soviet chemical warfare fighting capability. First, Montedison is a partner in a joint venture to develop the Tengiz oil and gas field near the Caspian Sea with Occidental Petroleum, ENI Chem of Italy, and the Marubeni Corporation of Japan, that is the largest joint venture entering the feasibility study phase to date. In 1986, the CIA estimated that this oil field could only be developed with the major inputs of Western technology these firms are prepared to give. Moreover, the proposed petrochemical facility these firms intend to develop--applying advanced technology to the production polyethylene, polypropylene, polymers, copolymers, and composites--will employ technologies that scientists believe are processes similar to the production of phosgene gas and other chemical warfare substances.

Also, on June 17, 1988, TASS announced that Montedison's vice president, Mr. Georgio Porta, had concluded meetings to discuss "establishing new joint ventures and discussed Montedison's possibilities of participation in retooling operating chemical facilities in the USSR. Georgio Porta described the results of a meeting of the Italian-Soviet working group on chemistry, petrochemistry, mineral fertilizers, pharmaceutics and relevant machine-building." Again, benefits to Soviet chemical warfare production must be studied by military and scientific experts.

Secondly, another Eagleburger client in Italy, Fiat S.p.A., has, according to Fiat chairman Gianni Agnelli, entered into negotiations for a joint venture to build a turnkey auto plant on the Volga, with an investment of $5-6.5 billion, that would produce a million 1-liter cars per year. It will be recalled that during "Detente I," when East-West trade was also encouraged by

Eagleburger's political patron, Dr. Henry Kissinger, Fiat built the "Togliatti plant" on the Volga, which had a capacity of 600,000 Fiat 124's per year: half of annual Soviet automobile production. Moreover, a Soviet expert at Science Applications Inc. reports that the Soviets had the suspension system of the Fiat model redesigned, so that it could be employed in the production of Soviet tanks.

*Soviet Union. Several personal clients of Lawrence Eagleburger are involved in major credit deals and joint ventures, which have a "dual use" for military and civilian purposes, including: Montedison S.p.A., ASEA Brown Boveri, Midland Bank of the UK, Fiat S.p.A., L.M. Ericsson AB, and Union Carbide. It is notable that the entire idea of "financing perestroika" plays directly into the hands of Soviet Marshall Nikolai Ogarkov, who originally pushed the perestroika doctrine in order to gain the advanced technology necessary for modernizing Soviet military hardware to fulfill his faction's design for Soviet global hegemony.

Apart from the East-West trade deals of Eagleburger's clients that will be mentionned elsewhere in this testimony, there is the case of Union Carbide of the United States, which is part of a major joint venture led by the British-Soviet firm, Asetco Ltd., that involves modernizing and expanding two polyethylene plants at Budyennovsk and Kazan. The deal is being financed by Morgan Grenfell and Moscow Narodny, while Eagleburger's client, Union Carbide, is licensing its most up-to-date production technology to Asetco. Briefed on this deal and that by Montedison, a spokesman for Rep. Elizabeth Bentley, who is co-chair of a Republican Research Committee task force on East-West trade, said: "Here we are screaming at our European and Japanese allies for supplying chemical warfare technology to Libya, when we are giving the 'crown jewels' of our own chemical warfare capaibility to the USSR, which is still our foremost enemy."

When Eagleburger participated in the Institute for East-West Security Studies Task Force on Soviet New Thinking, that released its report in October, 1987, he signed off on two dangerous policies: 1) Western governments must place no restrictions on credits to the East Bloc; and, 2) The United States should repeal the Jackson-Vanik amendment, that, among other things rules out granting government credits and Most-Favored Nation trading status to the USSR, because of only marginal improvements in Jewish emigration. Eagleburger's stand on Jackson-Vanik is coherent with that of his political patron, Dr. Kissinger, who fought the amendment originally. Likewise, Eagleburger would apparently fight the growing bipartisan coalition in Congress that views unrestricted credits as being the means by which the Soviets modernize their military forces, fund KGB operations abroad, and finance their world empire as the annual $5 billion relending to Cuba suggests.

*Sweden. Eagleburger has three clients in this country.

One, ASEA Brown Boveri (ABB), which is associated with the Swedish Wallenburg interests, has entered a joint venture with the Soviet State Committee for the Utilization of Attomic Energy and with Kraftwerk Union AG (a subsidiary of Siemens AG) to build a 200 Mw high temperature reactor in the USSR, that is in advance of anything built in the West. ABB is now in the licensing phase, and officials report they expect to ram approval through Cocom, the 16-nation group of Western countries and Japan that reviews delivery of sensitive technology to the Eastern bloc.

Another Eagleburger client is L.M. Ericsson, whose subsidiary, Datasaab, violated U.S. licensing agreements, when it shipped primary circuit boards and other computer parts to the USSR, allowing the Soviets to build a Terminal and En-Route Control Automated System (TERCAS), that significantly enhanced traffic control at three Soviet airbases dedicated to bombing missions over Western Europe. Although L.M. Ericsson reported the violation when it purchased Datasaab, the firm had to pay a $3.12 million fine for what Judge Gerhart Gesell called the worst violation of the Export Administration Act to date. During the midst of Ericsson's negotiations on the penalty with Datasaab, it employed Kissinger Associates to be its consultant.

Finally, Eagleburger has Volvo AB, the Swedish auto industry as a client. Volvo's chairman, Mr. Pehr Gyllenhammer, is a board member of Kissinger Associates, as well as being a major figure in Swedish industry, that is in direct competition with the U.S. for world markets. Gyllenhammer has also been on the Chase Manhattan International advisory board with Fiat's Gianni Agnelli since 1962, a board later chaired by Kissinger.

*Nicaragua. William Dill Rogers, who was Assistant Secretary of State for Inter-American Affairs under Kissinger and who is today on the board of Kissinger Associates, was the registered foreign agent of the Sandinista government of Nicaragua in 1981. At that time, Rogers advised the Sandinistas on arms imports, receiving $126,000 for this advice over a six-month period, when Rogers, who is also Kissinger's personal attorney, worked with the law firm of Arnold & Porter.

*Israel. Mr. Rogers also represents the government of Israel. More troubling are reports of Lord Harlech (aka David Ormsby-Gore) to "Executive Intelligence Review" in October, 1982, that Henry Kissinger was involved in a consortium with Harlech to invest enormous sums in the purchase of real estate on the Israeli-occupied West Bank of the Jordan River through Arab frontmen. Others active in the venture reportedly included: Lord Carrington, who was a board member of Kissinger Associates; British Parliament member Julian Amery; former U.S. Secretary of Defense Robert McNamara; and former U.S. Secretary of State Alexander Haig.

Eagleburger's linkage to "Landscam" poses a major conflict for any role he might have in U.S.-coordinated peace negotiations in the Mideast, which, Eagleburger states in a report he drafted for the Washington Institute for Near East Policy: "...Quick breakthroughs will be extremely difficult: to make peace in this environment will be virtually impossible." Clearly, if Eagleburger's boss at Kissinger Associates is involved with buying the land for further Israeli settlements in the occupied territories, there is no motive for a peace settlement that recognizes the sovereignty of the warring Arab-Israeli parties.

Eagleburger co-chaired with Vice President Walter Mondale this recent, dismal study by The Washington Institute for Near East Policy, which is a new political think tank linked to the American Israel Public Affairs Committee (AIPAC). The study, entitled "Building for Peace: Am American Strategy for the Middle East," was carried out by the Washington Institute's Presidential Study Group and intended as a blueprint on Mideast policy for President Bush. Significant evidence has been presented that AIPAC should register as a foreign agent of the Israeli government, although it has so far refused to do so.

*South Korea. Eagleburger's client list includes The Daewoo Group, which is one of the largest South Korean conglomerates, producing several products including automobiles in partnership with General Motors. Daewoo is a competitor with U.S. firms for major construction contracts.

*Japan. The Marubeni Corporation in Japan, a major trading rival of the United States, has entered into a consortium with Eagleburger's client Montedison S.p.A. for a joint venture in the USSR that Pentagon sources have stated would have potential chemical warfare-related opportunities for the Soviets. Also, Saburo Okita, the former Foreign minister in the Ohira government of Japan in 1980, is a board member of Kissinger Associates.

*Yugoslavia. When he was Undersecretary of State for Policy in the Reagan administration, Eagleburger clashed with Secretary of Defense Caspar Weinberger on the question of expanded trade and credits to Yugoslavia, which has a record of technology espionage on behalf of the USSR, according to Commerce Department sources. Eagleburger also maintained such a policy when he was U.S. Ambassador to Yugoslavia under the Carter administration.

Eagleburger is a member of the board of Global Motors, the parent company of the now bankrupt Yugo America, Inc., which also employs Kissinger Associates as a consultant. Eagleburger is also the representative of Kissinger Associates to the U.S.-Yugoslav Trade Council.

In 1986, independently of his position at Kissinger Associates, Eagleburger joined the board of the newly-formed LBS Bank of New York, which is a wholly-owned subsidiary of the Yugoslavian Ljubljanska Banka. On December 1, 1988, Mr. Vinko Mir, the chairman of the LBS Bank, was arrested on charges that he had knowingly laundered money from IRS agent undercover funds. The IRS agents were posing as underworld figures seeking to export military-related technology illegally. Mr. Mir admits he is a close associate of Larry Eagleburger, who did not resign his board position until January 9, 1989, when his nomination to the State Department post became a certainty.

*Great Britain. Lord Peter Rupert Carrington, the British Secretary of State for Foreign and Commonwealth Affairs (1979-82) joined the board of Kissinger Associates, before becoming Secretary General of NATO in 1984.

Eagleburger's client list includes Midland Bank of the UK, a subsidiary of the Hong Kong and Shanghai Bank, which, the authors of the bestselling book "Dope, Inc." have described as a major laundromat for drug money from the Golden Triangle of Southeast Asia and China. Similarly, Sir Y.K. Kan, a resident of Hong Kong and board member of Kissinger Associates, was the chairman of the Bank of East Asia (1969-83), and chairman of the Hong Kong Trade Development Council (1979-83). Formed in 1918, the Bank of East Asia is a partner of S.G. Warburg in East Asia Warburg Ltd. (Lord Roll of Ipsden, the chairman of S.G. Warburg is also a board member of Kissinger Associates). The Bank of East Asia also operates China International Finance Company, Ltd. in the Chinese city of Shenzhen in cooperation with the Bank of China.

Starting in December, 1987, Midland Bank was the lead bank with three others, which took part in a conference organized by the British Invisible Exports Council, that was oriented toward credits for trade and joint ventures in the USSR. Also participating was Alexander Maslov, chairman of the Moscow Narodny Bank in London. In 1988 Midland Bank, Barclays, Lloyds, National Westminster, and Moscow Narodny signed a portocol which involves a $1.75 billion line of credit to finance Soviet joint ventures and trade.

*Latin America. Midland Bank is also one of the world's largest holders of Third World debt, as are two other clients of Kissinger Associates, Chase Manhattan and Citibank. These banks extension on Third World debt is so vast that should there be a default without an orderly reorganization, they would be forced into bankruptcy proceedings. Henry Kissinger's name has become synonymous in the Third World with the genocidal campaign of the International Monetary Fund (IMF) and the international banks to force repayment of the debt load, even if this means negative industrial development a slow destruction of the ability of the countries to pay their debts. Kissinger has personally met with the heads of state of Mexico, Brazil, and other Latin American countries as chairman of Kissinger Associates to coerce these leaders into accepting a debt-for-equity looting scheme. Simultaneously, he has used his influence in the United States to attempt to swing government guarantees of the rotten paper holdings of his clients, which would represent a major bailout larger than the S&L problem, again at U.S. taxpayer expense.

Eagleburger briefly discussed the debt crisis in his chapter of the "American Agenda," the publication of a bi-partisan task force run by Presidents Ford and Carter, that called the crisis "a major smoldering problem," a problem so serious that it cannot be "simply a question for the Secretary of the Treasury." Instead, Eagleburger suggested that it become the responsibility of the Secretary of State, and, if Eagleburger is confirmed, he would have a major conflict-of-interest in handling the Third World debt crisis. Eagleburger also urged in "American Agenda" that Mexico, where Kissinger had personally threated then President Jose Lopez Portillo in 1982, when Portillo adopted measures to save his nation's economy, become the chief area of concern in Latin America. He further recommended that there be the appointment of a "'czar' to deal with Mexican questions, with specific authority to manage all aspects of U.S. Mexican policy."

As the above record shows, if Lawrence Eagleburger is confirmed by the Senate, he would not only face major conflicts-of-interest in dealing with several leading competitors of the U.S. for world markets, but he would also have to recuse himself from dealings with such issues as East-West trade and Third World debt. Briefly, to recapitulate, the conflicts include:

(1) Third World Debt Finance. Eagleburger personally represents Midland Bank of the UK, a major holder of Third World debt, and Kissinger Associates are consultants on the debt issue for such other major holders as Chase Manhattan and Citibank.

(2) East-West Trade and Credits. Eagleburger's personal clients--including Montedison S.p.A., Union Carbide, L.M. Ericsson AB, Fiat S.p.A., ASEA Brown Boveri--are involved in major joint ventures with the Soviets involving "dual use" technology that would benefit Soviet military developments such as chemical warfare, according to Pentagon sources.

(3) Strategic Policy. Lawrence Eagleburger is so compromised through his clients deals on "dual use" technology with the Soviet Union that he would bear a major conflict on "arms control" policy. It is notable that Gen. Brent Scowcroft, his former colleague at Kissinger Associates and Eagleburger, are both advocates of the MAD doctrine. Gen. Scowcroft advises curtailing the Strategic Defense

Initiative to a mere point defense of a U.S. missile site, that would make it a "bargaining chip" with the Soviets. Meanwhile, he has advocated building the MAD doctrine-linked Midgetman missile, not the MX that would be part of a counterforce strategy.

*Mideast Policy and Peace in the Arab-Israeli Conflict. William Dill Rogers of Kissinger Associates represents the Israeli government, while Lord Harlech states that Henry Kissinger is involved in a "Landscam" on the West Bank to purchase large tracts of land under subterfuge that would be used for more Israeli settlements. Eagleburger himself concluded in the presidential policy statement of AIPAC's Washington Institute front that peace was impossible without concessions that the Palestinians cannot afford to give after the major concessions they have already made.

(4) The Pacific Rim. Henry Kissinger developed the "China card," which is basically a Chinese design to employ Western trade, credits, and political concessions to its own advantage. The next phase of the "China card" advocated by Dr. Kissinger is to bring the Chinese and Soviets jointly into a "regional matter" process to resolve such areas of conflict as South Korea.

Kissinger Associates clients include The Daewoo Group which is a major competitor of the U.S. in world trade. More signficantly, Eagleburger is linked directly to the heart of the Hong Kong drug traffick through the Hongshang Bank owner of his client, Midland Bank.

(5) Kissinger Associates, through such clients as Midland Bank of the UK and S.G. Warburg, has aligned itself with the British faction that wishes to see British hegemony in financial services exerted over continental Europe with the "1992 integration" scheme. This creates a major conflict for Eagleburger, who must deal also with the legitimate concerns of such frontline allies as West Germany, whose industrial development the British are in competition with. Also, some leading British spokesmen for "1992" envision an Anglo-American-Soviet condominium deal over the heads of America's other NATO allies on such questions as East-West trade, potential neutrality for Central Europe (including West Germany), and related matters.

(6) Central America. William Dill Rogers of Kissinger Associates was a registered foreign agent of the Sandinista government of Nicaragua, assisting that regime in obtaining weapons to pursue its war policy throughout the region. Moreover, Henry Kissinger himself ran the Bipartisan Commission on Central America, which sought to deter the sovereignty of other Central American states through the Contadora process. Kissinger also suggested bringing the Soviets into a "regional matters" settlement. Finally, as a representative of major banks holding Third World debt in this region, Eagleburger would be severely compromised from effecting the sort of regional development essential for a lasting peace settlement.

While this raises significant questions about whether or not Lawrence Eagleburger should do the job of Undersecretary of State, there is also the question of whether for health reasons he can do the job. It has been reported that Eagleburger suffers from a potentially debilitating case of emphysema. In the new climate of government ethics, his health record should be made public as an area of concern, just as conflicts arising from his client list should be placed under a Senate microscope. There is no question that Eagleburger, as had been charged against Sen. Tower, profits from the "revolving door" when he joined Kissinger Associates one month after serving as Undersecretary of State for Policy in the Reagan administration.

Kissinger Associates: trading with the enemy

by Scott Thompson

While Lawrence Eagleburger, president of Kissinger Associates, negotiates on how long he must recuse himself from dealings with a dozen countries, if he is confirmed in his nomination to the post of Deputy Secretary of State, there is an entire issue from which Eagleburger would have to recuse himself because of a major conflict of interest: the expansion of East-West trade and credits. Such expanded trade, starting with the dispatch of Commerce Secretary Maurice Stans to Moscow in November 1971 by Henry Kissinger, had been a cornerstone of the Kissinger-Nixon "Détente I" period.

Now, there is a significant faction of pro-Soviet appeasers—such as James Giffen, the recently retired president of the U.S.-U.S.S.R. Trade and Economic Council, which was founded by Kissinger and others in 1973—who openly espouse transforming the Soviet Union into an "economic superpower" during the "I Love Gorby" gang's "Détente II."

Lawrence Eagleburger's clients at Kissinger Associates are now involved in negotiating multibillion-dollar joint ventures, trade deals, and loans, which, if they would not make the Soviet Union an "economic superpower," should at least help Gorbachov's *perestroika* campaign, that was initiated by the Soviet military circles around Marshal Nikolai Ogarkov to carry out modernization of the Red Army and permit a drive for Soviet global domination.

Several of the projects that Eagleburger's clients are involved with would, according to Pentagon sources, have "dual use." That is to say, they might have direct military applications contrary to their stated purpose, such as augmenting the Red Army's awesome chemical warfare capability. This should not be surprising to those who know about the maneuvers of Henry Kissinger during "Détente I," who signed off on the transfer of technology that built the Soviet trucks that mounted the 1979 Afghanistan invasion; that nearly permitted the creation of a Soviet surprise first-strike capability, when he gave the Soviets technology to MIRV their giant, land-based missiles, over Pentagon objections; and, that allowed the Soviets to stockpile grain for war at significant added expense to the American consumer in the 1972 "Great Grain Robbery."

Eagleburger caught in the act

The first sign that something was seriously wrong with Eagleburger's ties to East bloc trade came on Dec. 1, 1988, when U.S. Customs Commissioner William Von Raab announced the indictment and arrest of five individuals and the U.S. branch of a Yugoslavian bank on money-laundering charges, as part of a combined Customs-IRS "sting" codenamed "Operation Flying Kite." According to the Customs Service press release of that date, "The operation centered on the illegal international laundering of undercover government funds which the conspirators believed were owned by organized crime and were intended for use in the export of restricted high technology and implements of war."

Although he was not named as a co-conspirator, it eventually surfaced that Eagleburger was on the board of the indicted bank, LBS Bank of New York, whose chairman, Vinko Mir, had allegedly "agreed that undercover funds would be converted into bank checks," then, after this was done for sums of $50,000 and $76,350 by Mr. Mir, the bank chairman allegedly falsified the Currency Transaction Reports, which are the chief instrument of the Treasury Department to guard against such money laundering.

In an interview with *EIR*, Vinko Mir refused to divulge whether he had been the individual who coopted Eagleburger to the board of the LBS Bank, which was founded in 1986 as a wholly-owned subsidiary of the Ljubljanska Banka in Yugoslavia. But, he did acknowledge knowing Larry Eagleburger well. Eagleburger's bank not only faces a fine of $500,000, but Vinko Mir faces a similar fine and five years imprisonment, if he is found guilty. Eagleburger has refused comment on the case, but it is notable that he did not resign his position on the bank until five weeks after the indictment, when his nomination as Deputy Secretary of State was assured.

U.S. Commerce Department sources report that although Yugoslavia shares the same most-favored nation trading status with America as does Western Europe, there have been several instances of technological espionage where the product illegally obtained in the U.S. ended up in the possession of a Warsaw Pact country. Ljubljanska itself, the capital of a northern province, is a notorious center for smuggling operations that parallel the more infamous "Bulgarian Connection," of which Eagleburger, who virtually started his Foreign Service career in the American Legation in Yugoslavia and then returned to Yugoslavia during the Carter administration as U.S. ambassador, cannot claim ignorance.

During his position as Undersecretary for Policy in the

beginning of the Reagan administration, Eagleburger frequently overrode objections from the Pentagon and other Executive branch agencies, to the general expansion of trade and credits to Yugoslavia by the United States. Sen. Jesse Helms (R-N.C.), the ranking minority member of the Senate Foreign Relations Committee, which will handle Eagleburger's nomination, has expressed a strong interest in probing just how far his knowledge of LBS Bank's alleged illegal activities went.

On record to expand trade and credits

Through his involvement with the New York-based Institute for East-West Security Studies, Eagleburger is already on record as favoring "the possibility of a qualitatively new level of East-West economic contacts." In October 1987, the institute released a report entitled "How Should America Respond to Gorbachov's Challenge?" which had been prepared by a task force including Eagleburger, whose co-chairmen were Joseph S. Nye of Harvard University (and the Dukakis campaign) and Whitney MacMillan of the Cargill Co., which does an annual multimillion-dollar business supplying the Soviets with the grain they cannot produce themselves.

Despite a growing bipartisan coalition in Congress, as epitomized by the Kemp-Roth Bill, which opposed growth of unrestricted trade and credits to the U.S.S.R., the institute's task force concluded: "It is thus a mistake for Western governments to prevent the U.S.S.R. from receiving private credits at commercial rates." The report goes on to endorse private credits, including especially "untied loans," which have been used by the Soviets to purchase advanced technology for modernizing their military, to fund KGB and GRU activities outside Russia, and to maintain the sinews of an empire through Soviet hard currency loans to such countries as Cuba, Nicaragua, and Afghanistan. It was precisely such unrestricted forms of lending that the Kemp-Roth bill was designed to curb, but the Reagan administration—influenced by the appeasement INF treaty and George Shultz's "regional matters" negotiations for a "global New Yalta"—would have none of it.

Even more alarming, the institute's report stated that "the U.S. government and Congress should consider bringing their policy into congruence with U.S. allies by reevaluating the Jackson-Vanik and Stevenson Amendments restricting trade and credit to the U.S.S.R. The West should aim to normalize the framework for trade with all Warsaw Treaty countries, on the basis of mutual and reciprocal interests." In the press statements accompanying release of the report, spokesmen for the institute specified that since emigration of Jewish refuseniks was increasing (last year it reached 20,000), the Jackson-Vanik Amendment should be abridged. Although the amendment was triggered by the Soviets' proposed tax on Jews seeking emigration, it has otherwise been consistently pegged to the sorts of human rights concerns more broadly addressed in the Helsinki Accords, not simply the question of Jewish emigration, which the amendment's authors thought should be at an annual rate more than twice what it is at present anyway.

Clearly, Eagleburger sides with those like Dwayne Andreas, the chairman of Archer Daniels Midland and of the U.S.-U.S.S.R. Trade and Economic Council, who merely see the question of Jewish emigration as a convenient ruse for expanding their business with the U.S.S.R., just as Andreas does now through massive grain sales to the Soviets despite their human rights record or war-winning military doctrine.

Perhaps one reason for Eagleburger signing off on this narrow interpretation of Jackson-Vanik is that, according to Britain's late Lord Harlech, Eagleburger's patron Henry Kissinger is part of a consortium that has been secretly buying land on the West Bank through Arab intermediaries, which would be used to build settlements for Jewish refuseniks, whom a faction in Israel would like to send to the occupied territories as cannon fodder in the Arab-Israeli conflict.

Eagleburger's Warsaw Pact portfolio

Eagleburger's top clients at Kissinger Associates are certainly not waiting for an improvement in the Soviet human rights record in their stampede for what they hope will be lucrative contracts with the U.S.S.R. The record of Eagleburger's clients includes:

- **Montedison S.p.A.** This Italian chemical firm is involved in the largest joint venture undertaken by the West to date in the U.S.S.R., specifically designed to export the Western technology that the CIA stated in a 1986 report would be essential for Soviet exploitation of the Tengiz oil and gas field near the Caspian Sea. In March 1988, Montedison joined a consortium that signed a protocol with the Soviet Ministry of Oil and Industry, which stated the intent to develop and operate a petrochemical complex there. Montedison's joint venture partners in the $6 billion project include: Soviet Trust agent Armand Hammer's Occidental Petroleum; Japan's Marubeni Corporation; and, the Italian firm of Ente Nazionale Idrocarburi (ENI S.p.A.). Presently, they are doing a feasibility study for a plant that would produce 500,000 tons a year each of polyethylene and polypropylene, as well as various polymers, co-polymers, and composites.

On June 17, 1988, according to TASS, the vice president of Eagleburger's client, Montedison, independently met with Vladimir Gusev, deputy chairman of the U.S.S.R. Council of Ministers, to discuss "the operation of a joint Soviet-Italian venture and . . . Montedison's possibilities of participation in retooling chemical operating facilities in the U.S.S.R." Giorgio Porta of Montedison said that an Italian-Soviet working group would examine such possibilites for "chemistry, petrochemistry, mineral fertilizers, pharmaceuticals and relevant machine-building."

A spokesman for the Pentagon told *EIR* that the activities

of Eagleburger's client, Montedison, might decidedly benefit Soviet chemical warfare fighting capabilities by adding new processes in areas that are parallel to the production of such nerve gas agents as phosgene. Frank Ashley, the public affairs officer of Occidental Petroleum, called these charges "ridiculous," but he refused to answer followup questions submitted by *EIR*'s science editor, which explored the parallels between all petrochemical processes and the processes for the production of nerve gas. Also, Ashley would not entertain questions about how the supply of superphosphate that Occidental cornered in another $20 billion barter deal with the Soviets signed during Kissinger's "Détente I" had put a lock on this product, which, military sources report, can be used for production of advanced explosives.

- **ASEA Brown Boveri.** This Swedish client of Eagleburger's announced that in partnership with Germany's Kraftwerk Union AG, the nuclear power portion of Siemens AG, that it would seek to build a 200 megawatt high-temperature reactor (HTR) at Dimitrovgrad, 680 miles east of Moscow, by 1996, costing more than $560 million. An agreement for this was signed with the Soviet State Committee for Utilization of Atomic Energy, and ASEA is presently seeking licenses to build what would be the first Western nuclear reactor in the U.S.S.R. ASEA is presently confident that, despite expected objections from Washington, it can gain approval for the technology transfer from CoCom, the 16-nation group of Western countries and Japan that reviews delivery of sensitive technology to the Warsaw Pact and other countries. The HTR reactor would be in advance of any plant built in West Germany.

- **Midland Bank of the U.K.** Another Eagleburger client is Midland Bank, the fourth-largest commercial bank in Britain, which in December 1987, took part with three other banks at a conference in Moscow organized by the British Invisible Export Council, which was oriented toward supplying credits for trade and joint ventures in the U.S.S.R. In October 1988, Midland's deputy chairman, Sir Michael Palliser, told a news conference that his bank would take the lead in a consortium to provide a $1.7 billion line of credit, which would be 85% backed by the British government. Midland's partners were Moscow Narodny Bank Ltd., Barclays, Lloyd's Bank, National Westminster, Bank of Scotland, and Morgan Grenfell.

- **Fiat S.p.A.** Fiat chairman Gianni Agnelli has been on the International Advisory Board of Chase Manhattan Bank (a major financier of East-West trade dating back to the 1920s), whose chairman, upon his leaving public office, was Henry Kissinger. During Kissinger's "Détente I," Fiat built the "Togliatti plant" in Volgograd, which produced 600,000 Fiat-124s (exported as the "Lada"), that amounted to half of all Soviet automobile capacity. A Soviet analyst at Science Applications International has charged that the Soviets had Fiat redesign its suspension system, so that it would be the model for modern Soviet tank systems. Also, during "Détente I," Fiat's subsidiary Comau made $100 million out of subcontracts for machine tools for nuclear energy components manufacturing plants.

In October 1988, Fiat chairman Agnelli traveled to the U.S.S.R., where he announced that Soviet Prime Minister Nikolai Ryzhkov had asked that he modernize automobile production further. A new monster plant on the Volga, estimated to cost $5-6.5 billion, is now being studied that would produce 1 million 1-liter cars per year. Like the Lada, these cars might be exported to Western Europe, undermining the local auto industry.

- **Union Carbide.** In 1988, this Eagleburger client announced that it would sell polyethylene produced by a British-Soviet joint venture, Asetco, which would modernize and expand two plants at Budyennovsk and Kazan. Union Carbide is also licensing its most up-to-date production technology (Unipol) for the Soviet plant, which, again, might improve Soviet chemical warfare fighting capabilities. Financing for the project is to come from Moscow Narodny Bank Ltd. and Morgan Grenfell.

- **L.M. Ericsson.** Datasaab, a subsidiary of this Eagleburger client, was caught by the Reagan Justice Department in violation of the Export Administration Act. Datasaab pleaded no contest, and received the highest fine ever levied under the Act, $3.2 million. It transpired that Datasaab had, in violation of its licensing agreement with the United States, sent the programming center for an advanced radar system for three airports known as the Terminal and En-Route Control Automated System (TERCAS) to the Soviets. The Justice Department charged that the enhanced system increased the Soviet ability to defend itself against military aircraft and to coordinate air attacks on Western Europe. Former Commerce Secretary Malcolm Baldrige had called the violation one of the most serious incidents of illegal transfer of U.S.-origin technology to the Soviet Union since the imposition of export controls.

When L.M. Ericsson acquired Datasaab, it did report the violation to the U.S. government, and it agreed not to maintain the computer system in the U.S.S.R. Ericsson also hired attorney Edward Bennett Williams, a close associate of Henry Kissinger, to represent it in minimizing the penalty against Datasaab. And, during the process of negotiating this agreement with the Reagan administration, it also hired Kissinger Associates to be its consultant.

Eagleburger's portfolio of clients trading extensively with the Warsaw Pact countries, should, like his position on the board of the indicted LBS Bank, cause quite a stink during congressional confirmation hearings. Unlike the conflict-of-interest charges levied against Sen. John Tower for being a defense contractor consultant for two years, there is a definite "smoking gun" in the Eagleburger dossier. Should Eagleburger squeak through confirmation hearings, the least condition that should be placed upon him, is that he recuse himself entirely from the trade and credits issue, as he works to carry out the secret Kissinger agenda for full-blown reemergence of "Détente II."

Kissinger Associates, Inc.: two birds in the bush

by Scott Thompson and Joseph Brewda

Two leading members of Henry Kissinger's consulting firm, Kissinger Associates, have been appointed to the Bush administration, causing Gary Wills to write in the Jan. 17, 1989 issue of the *New York Times*, "The Unsinkable Kissinger Bobs Back." While the naming of Kissinger Associates Washington, D.C. branch manager, Gen. Brent Scowcroft, to be Bush's National Security Adviser went unopposed, simply because there are no confirmation hearings for the President's staff, that of Kissinger Associates president Lawrence Eagleburger to the post of Undersecretary of State may hit a snag when confirmation hearings open some time in the week of Feb. 20-25 before the Senate Foreign Relations Committee.

Already, spokesmen for Eagleburger have told Walter Pincus of the *Washington Post* on Feb. 16 that Eagleburger may recuse himself from State Department dealings with a dozen countries, where he has had major corporate clients through his position with Kissinger Associates. Precisely how long Eagleburger will have to limit his role is now being negotiated between the State Department, the White House Counsel's office, and the Office of Government Ethics. Still, Eagleburger is only being partially truthful about the potential conflict-of-interest situations that he faces, since he is trying to limit this question before the Senate Foreign Relations Committee to deal only with foreign businesses that were his personal clients, not those of Kissinger Associates as a whole. In fact, were it not for the hard line being taken by Sen. Jesse Helms (R-N.C.), Eagleburger would attempt to get by without even revealing what businesses employed Kissinger Associates as their consultant.

Precisely how far Senator Helms is willing to go in his opposition to the Eagleburger appointment is not known. In 1986, in hearings for the confirmation of Richard Burt as U.S. Ambassador to West Germany, Helms held fast against this security risk only long enough to secure several appointments for those with conservative credentials. Still, if Helms and others are prepared to push it, there is sufficient evidence on Kissinger Associates—the highlights of which will be presented in this article—to submerge Henry Kissinger once again by either blocking the Eagleburger appointment or else by severely crippling his revival in office.

On one issue, analysts in the U.S. and Western Europe are absolutely clear: If Eagleburger achieves the number two spot at the State Department, while Scowcroft runs the National Security Council staff, Henry Kissinger will once again have the freedom to drop his recent hard-line posturing to let his true colors as a Soviet agent-of-influence show through. Kissinger's latest Central European proposal, which includes Kissinger's age-old call for a reunified, but neutral "Austrian Solution" for Germany, shows he now feels confident that he need no longer attack Western appeasement, because it will be Kissinger and his minions in the major positions to carry out that Western appeasement of the Soviets.

Our man in Belgrade

When he left his post as Assistant Secretary of State for Political Affairs in the Reagan administration in May 1984 to "go make money" with his friend Henry Kissinger, Eagleburger carried with him strong contacts with the leading political and financial circles of Yugoslavia, where he had been U.S. ambassador during the Carter years. In the Reagan administration, Eagleburger had feuded with Secretary of Defense Caspar Weinberger to make sure that U.S. trade and credits with Yugoslavia were expanded. It is Eagleburger's subsequent role at Kissinger Associates as their "man in Belgrade," which raises questions of potential implication in criminal enterprise, not merely conflict of interest.

Eagleburger was the Kissinger Associates representative with the U.S.-Yugoslavia Trade Council, and he is known to have been involved with at least three Yugoslavian firms: 1) Eagleburger was on the board of Yugo America, Inc., which filed for bankruptcy early this year, and is in the process of being taken over by its parent company, Global Motors, which has hired Kissinger Associates as a consultant; 2) another Yugoslavian firm that hired Kissinger Associates as consultants was Enerjoprojekt, a construction and engineering firm that was, until recent financial reverses, the 16th largest company of its sort, involved with multimillion-dollar projects in Iraq, Kuwait, and Gabon; and, 3) Eagleburger, independently of Kissinger Associates, was a board member of LBS Bank of New York, a wholly-owned subsidiary of Ljubljanska Banka of Yugoslavia, which was established on Oct. 1, 1986.

A Dec. 1, 1988 indictment of Vinko Mir the chairman of the board of LBS Bank on which Larry Eagleburger sits, raises serious questions about the degree of Eagleburger's

complicity in or knowledge about a criminal enterprise. The indictment charges that Mir, who is also on the board of the parent Ljubljanska Banka and its executive vice president, willingly took part in the illegal laundering of funds by persons whom Mir would have believed to be underworld figures engaged in the illegal export of restricted high technology and implements of war. Actually, the money-launderers were undercover U.S. Customs and Internal Revenue Service agents taking part in "Operation Flying Kite," which caught a network of people of which Mir was a part in laundering a total of $1,476,350 in funds of the "sting" operatives. Several other Yugoslavian financial and political institutions are also implicated in the case, including the Chicago-based Yugoslavian Consul General to the United States. Not only did Mir allegedly conspire to launder funds from these "organized crime" figures, but in a subsequent meeting with the IRS undercover agent, he acknowledged that he had falsified information on the Currency Transaction Reports that should have been filed with the Treasury Department, a practice established for the purpose of tracking money laundering.

Questioned by *EIR* on Feb. 16, Mir refused to say whether he had been the person who hired Eagleburger on the board of LBS Bank, although he did acknowledge knowing Eagleburger well. It is notable that Eagleburger, who has recently taken the public stance that he wishes to avoid the slightest hint of impropriety, waited until Jan. 9, 1989 (more than a month after the indictment of his friend Mir, when Eagleburger's nomination was locked up), to resign from the board of the LBS Bank. Nor can Eagleburger, who began his work in the Foreign Service in Yugoslavia in the 1950s, claim ignorance of the facts, since the province of Slovenia in whose capital LBS Bank's parent company operates, has the same reputation among insiders for organized criminal activity stretching into Western Europe, as the more infamous "Bulgarian connection."

Through his position at Kissinger Associates, Eagleburger is directly a consultant to the following firms: 1) L.M. Ericsson AB of Sweden, an international communications and manufacturing company, which is linked to the Swedish Wallenberg family interests, who constitute the "Northern Route" of the Anglo-Soviet Trust; 2) The Daewoo Group, which is one of the largest South Korean conglomerates, producing several products including automobiles in partnership with General Motors; 3) ASEA Brown Boveri, another Swedish-based industrial manufacturing concern, which is part of the Wallenberg family part of the "Northern Route" with the U.S.S.R.; 4) Midland Bank, which is the fourth-largest commercial bank in Britain, that also holds substantial amounts of Third World debt; 5) A.B. Volvo, the Swedish automobile manufacturer, which is now financially controlled by the Wallenberg family interests; 6) Fiat, the Italian vehicle manufacturing firm, which, during Kissinger's 1970s "detente," built the Togliatti firm in the U.S.S.R., which produces advanced suspension systems for Soviet tanks; 7) Bell Telephone Co. of Belgium, which owns nearly 40% of a Turkish company that manufactures communications in that country; 8) Union Carbide, the U.S.-based, international chemicals company; 9) Global Motors, the parent company of the now bankrupt Yugo America, Inc.; 10) Coca Cola; 11) H.J. Heinz; 12) Anheuser-Busch; 13) Hunt Oil Co. of Dallas, Texas, which is run by Ray Hunt, son of the late H.L. Hunt and which employed Eagleburger in part for his advice in North Yemen oil exploration; and, 14) ITT.

As with the LBS Bank and Global Motors, Eagleburger is on the board of American ITT, the Mutual Life Insurance Co. of New York, BestMart, and Josephson International. But a proper investigation of Eagleburger's potential conflicts of interest—the sort of investigation being demanded by Sen. Jesse Helms—would also include a look at the board of directors of Kissinger Associates and its many other clients.

Who's who at Kissinger Associates

Founded in 1982 with loans from the investment banks of S.G. Warburg, Pincus, and Goldman, Sachs, Kissinger Associates has developed into a "miniature State Department," charging clients fees that start at $150,000 a year for "consulting." Actually, there is a question about precisely what Kissinger Associates does for its clients, whose full listing has never been made public. Published accounts state that for that $150,000, a firm's chief executive officer only gets one visit a year with Kissinger Associates' main office in New York, as well as a few telephone consultations. If the story of Eagleburger and the LBS Bank is any indicator, the services may be much more important, though concealed, as in Henry Kissinger's recent attempts to set up a debt-for-equity looting scheme on recent trips to meet heads of state in Ibero-America, which would greatly benefit such known Kissinger Associates clients as Midland Bank, Chase Manhattan Bank, and Citibank. Additionally, Kissinger has used his clout to attempt to secure government guarantees of such debt-for-equity swaps, which would place the U.S. government as a body of armed men to collect the debt that mushroomed earlier under Federal Reserve Chairman Paul Volcker's usurious interest rates. Informed analysts believe that it is such special operations which Kissinger Associates actually perform on behalf of top corporate clients, not mere round table consulting as presented in the public relations statements.

The high-powered board of trustees of Kissinger Associates tends to confirm this analysis. Members include:

- Robert O. Anderson. Until two years ago Anderson was chairman of the Atlantic Richfield (Arco) oil giant, which still employs Kissinger Associates as consultants. Anderson was a founder of the Aspen Institute, which has engaged extensively in the development of negotiating positions for those arms control deals, which Kissinger claims he would avoid since his traitorous 1972 SALT-ABM treaties. Anderson is currently a partner of British tycoon Tiny Rowland,

whose Lonrho, Ltd. runs a feudal fiefdom in Africa. In association with Anderson, Rowland spawned Marc Rich, the Soviet oil trader, who faces indictment in the U.S.

- William Jefferson Cunningham III. This vice chairman of Kissinger Associates had formerly been president of the Orion Group, which is part of a consortium involving such major offshore drug-money laundering firms as Royal Bank of Canada, according to the authors of the book, *Dope, Inc.*
- Pehr Gyllenhammer. He has been the chairman of Volvo since 1983, and he is chief executive officer of Volvo AB, which is one of Eagleburger's clients. Since 1962 Gyllenhammer has been on the Chase Manhattan International Advisory Board, which is chaired by Henry Kissinger.
- Sir Y.K. Kan. A resident of Hong Kong, Kan had been chairman of the Bank of East Asia, which is affiliated with S.G. Warburg in East Asia Warburg, Ltd., from 1963-83, and he was chairman of the Hong Kong Trade Development Council from 1979-83. From his position at the bank, Kan was involved in operations with the China International Finance Company, Ltd., based in the mainland China city of Shenzhen, reportedly in cooperation with the Bank of China.
- Henry Kissinger. In addition to chairing and being the sole owner of Kissinger Associates, Henry's other financial connections include: 1) adviser and former chairman of the International Advisory Board of Chase Manhattan Bank, which heretofore employed Kissinger Associates as consultants; 2) chairman of the International Advisory Board of Maurice "Hank" Greenberg's American International Group, which was a leading part of the coup against President Marcos in the Phillipines, while Kissinger served with AIG; 3) board member of Shearson-Lehman/American Express, which is among Kissinger Associates' most lucrative clients; 4) board member of Union Pacific; 5) board member of R.H. Macy; 6) board member of Continental Grain, which, like Chase Manhattan, has had extensive trade dealings with the U.S.S.R.; and, 7) trustee of the Rockefeller Brothers Fund.
- Saburo Okita. The highest post held by Okita in the Japanese government was that of foreign minister, appointed by Prime Minister Ohira in November 1979. Okita has served in numerous positions in such "one worldist" institutions as the Club of Rome, World Wildlife Fund, World Bank, and United Nations, but, at least superficially, appears to have been an advocate of Japan's dirigist scientific and technological development policies. Okita was also on the steering committee of David Rockefeller's Trilateral Commission.
- Edward Lewis Palmer. In 1982, when Kissinger Associates was formed, Palmer retired as a director and chairman of the executive committee of Citibank, which employs Kissinger Associates as a consultant. Palmer remains a board member of Union Pacific with Kissinger, and he is a board member of the National Bank of Washington from which Scowcroft recently resigned.
- William Dill Rogers. This former ranking member of the State Department under Henry Kissinger in the 1970s, is today with the law firm of Arnold and Porter, where he serves as Henry Kissinger's personal attorney and also as attorney for Kissinger Associates. It was Rogers who, in a series of letters released under the Freedom of Information Act, is seen soliciting then FBI director William Webster to mount a "Cointelpro" operation against *EIR* founder Lyndon LaRouche, simply because of *EIR*'s dossiers exposing Kissinger's role in the murder of several world leaders, Kissinger's unsavory personal morality, and his actions as a Soviet agent-of-influence.

(Kissinger himself wrote such a letter to Webster on Aug. 19, 1982, shortly after the Aug. 14 filing of a legal brief in Italy by LaRouche's friend, Fiorella Operto, the leader of the European Labor Party, assembling evidence regarding Kissinger and the murder of Aldo Moro; the brief was published in *EIR*.)

Rogers's position on the board of Kissinger Associates belies Henry's claim that his firm never represents foreign governments. Roger's client list has included: 1) the government of Venezuela, which Rogers has represented in syndicated Eurodollar bond offerings; 2) the government of Israel; and, 3) the Sandinista government of Nicaragua, for which Rogers was the registered foreign agent in 1981, when he advised the Sandinistas on arms exports, receiving $126,000 for this advice over a six-month period. Rogers has been a major fixture with Henry Kissinger in their debt-for-equity looting scheme, and *EIR* possesses documented evidence of Rogers's direct work against Lyndon LaRouche's *Operation Juárez* for resolving the "debt bomb."

- Lord Roll of Ipsden (Baron Eric Roll, created Life Peer 1977). Lord Roll has been the chairman of S.G. Warburg since 1973, and he has also been the past chairman of Mercury Securities. Lord Roll was elevated to the peerage, because he was a director of the Bank of England from 1968-77. S.G. Warburg employs Kissinger.
- William Simon. This former Secretary of the Treasury in the 1970s, serving opposite Kissinger at State, appears to be the token conservative on the board.

Apart from those already named above, the clients of Kissinger Associates include: 1) Fluor Corporation, a major international construction firm; 2) the International Energy Corporation of Stamford, Connecticut; 3) Montedison of Italy, which entered into the largest joint venture in the U.S.S.R. during Gorbachov's reign (a modern petrochemical plant) with Soviet Trust agent Armand Hammer; 4) General Electric Company in the U.K., whose past chairman, Lord Carrington, until recently NATO secretary general, had been a board member of Kissinger Associates; and 5) Merck Pharmaceutical.

To discover the true conflicts of interest which might arise with Eagleburger's appointments, all these various firms and board members relations with Eagleburger will have to be explored by the Senate Foreign Relations Committee.

The secret agenda of the Bush administration

by Kathleen Klenetsky

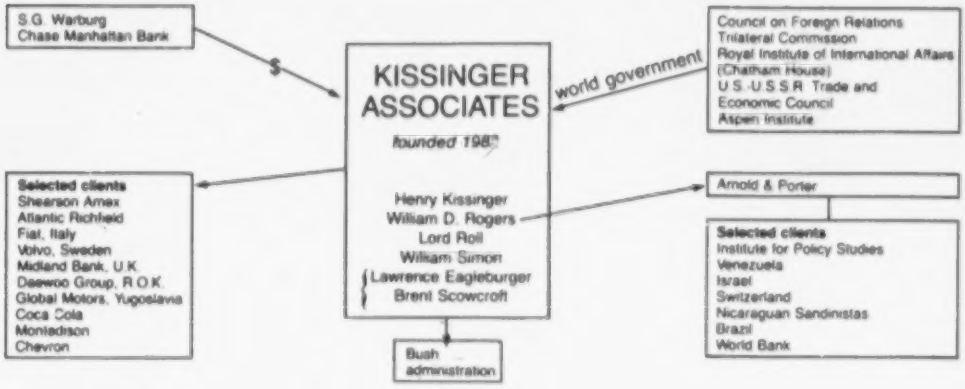
Since George Bush's election, the conventional "inside the beltway" wisdom has held that the new administration is deliberately delaying making any major decisions on strategic policy issues, and has, instead, opted for a go-slow approach, at least until National Security Adviser Brent Scowcroft has completed a sweeping strategic review ordered by the President. This review could take anywhere from three months to a year before it is concluded. In the meantime, or so we are told, the President won't take any major initiatives.

The picture we are intended to receive is that nothing of real consequence is yet taking place. That's a bald-faced lie. The ballyhooed strategic review is meant as a cover for the secret agenda which the Bush team has already adopted and is now rapidly implementing. The contents of that secret agenda can be summed up in two words: Henry Kissinger.

Yes, Kissinger is back, and with a vengeance. The man who committed the United States to the devastating SALT I and ABM treaties; who negotiated the great grain giveaway to the Soviets; who engineered the escalating decoupling of NATO; who vowed to "whittle away" the SDI; who consigned the developing sector to an agonizing death by poverty, disease, and crushing debt burden; who personally ordered the deaths of leading international figures who objected to his immoral policies; Kissinger has emerged as the driving force behind the new administration.

The first public sign of this came during the presidential campaign, when Bush named him to his 12-man strategic policy campaign advisory board. But that was only the beginning. Over the past several months, Bush, despite his reported personal dislike for the man, has appointed a slew of top Kissinger operatives to key policymaking positions: Brent Scowcroft, a Kissinger ally going back to the early 1970s, and until recently the head of Kissinger Associates' Washington office, is ensconced at the National Security Council, where he is carrying out a reorganization that will centralize almost all strategic policymaking in his hands; Lawrence Eagleburger, another Kissinger protégé and Kissinger Associates alumnus, has been named to the number two position at the State

Kissinger Associates: world government in embryo



Department. Kissingerites Paul Wolfowitz and John Negroponte have also been allotted important positions.

More significantly, Bush tapped Kissinger to serve as his personal emissary to Mikhail Gorbachov, entrusting him with a letter to the Soviet leader, when Kissinger traveled to Moscow in mid-January with a delegation of Trilateral Commission members, among them his personal piggy bank David Rockefeller, Valéry Giscard d'Estaing, and Yasuhiro Nakasone.

Kissinger's ascendancy spells absolute disaster for the United States and its allies. As Kissinger admitted in an interview with Mexico's Televisa network Feb. 16, he would have entered the Reagan Cabinet two years ago, presumably as Secretary of State, except that "there was opposition because it was thought I was too desirous to negotiate with the Soviet Union. Basically, they were against me because I was a friend of Nelson Rockefeller, who was identified with the moderate wing of the Republican Party." Apparently, in the Bush administration, these views are no drawback, but actually qualify Kissinger to serve as de facto secretary of state.

Although the Bush team would no doubt prefer to keep its Kissinger-authored secret agenda under wraps, the public record contains more than enough evidence, from the pens and mouths of the Kissinger gang, of what that agenda contains. *EIR* offers some of this evidence here.

1. Redrawing the world map

Although political expediency forced Kissinger to adopt a harder line on the Soviet Union the past several years, there has been no fundamental change in his attitudes on this crucial issue. The main objective of Kissinger's "Soviet policy" is to strike a comprehensive, global power-sharing deal with Moscow, one immediate consequence of which will be an end to the American military presence in Western Europe, which will then be absorbed into the Soviet sphere of influence. Other principal components of this devil's bargain—which the Soviets have no intention of honoring—include: a precipitous decline in the American defense commitment in Asia; a new emphasis on the discredited "China card"; a financial bailout of the Soviets; the integration of East and West economies into a one-worldist malthusian regime; and "regional agreements" governing such hot spots as Afghanistan, Central America, and Africa.

Kissinger has repeatedly profferred his European decoupling, going back to as early as 1965, when he proposed an "Austrian" solution to Central Europe. As secretary of state, he argued repeatedly that Western and Eastern Europe should be seen as an "organic unity." In an early 1980s speech, Kissinger stated that the United States should be prepared to sacrifice 25% of its global power, as part of this bargain with Moscow.

In March 1984, during the same period in which he was named to the President's Foreign Intelligence Advisory Board (PFIAB), Kissinger played a key role in revving up the NATO decoupling scenario, when he published a NATO "reorganization" proposal in *Time* magazine, which would virtually have severed the European-American defense relationship.

The redrawing of the global map to the benefit of the Soviet

Union continues to lie at the heart of Kissinger's strategic gameplan. Kissinger was a prime shaper of the IkléWohlstetter report (officially, the report of the Commission on Integrated Long-Term Strategy), released at the Pentagon in January 1988. The report, which has come to dominate U.S. strategic policy, said in effect that U.S. allies can no longer count on protection by the U.S. nuclear umbrella.

Then, last summer, during the height of his supposed hawkish shift, Kissinger, together with Carter Secretary of State Cyrus Vance, co-authored an article for the Council on Foreign Relations' *Foreign Affairs*, which signaled that the Establishment had reached a final consensus on abandoning NATO. Entitled "Bipartisan Objectives on Foreign Policy," the article stated that the U.S. must accept the fact that it is no longer the world's leading power, and cut back its international commitments concomitantly. "Despite our vast military power, our ability to shape the world unilaterally is increasingly limited. . . . We can no longer afford financially to do as much internationally. . . . We would anticipate that the American role in some areas of the world may become less conspicuous."

There is nothing to fear about such a decline in U.S. influence, Kissinger and Vance insisted, because "today, the emergence of a rejuvenated Soviet leadership has raised new hopes for Soviet-American relations. We have both met several times with General Secretary Gorbachov," they reported, and found him "highly intelligent and determined to remedy the failures of the Soviet economy. . . . He is eloquent in arguing that he prefers to live in peace with the West and that he wants to reduce Soviet defense spending so as to transfer resources into the civilian economy. . . . Our overall conclusion is that there is a strategic opportunity for a significant improvement in Soviet-American relations."

Among the steps Kissinger and Vance recommended the new President take to achieve this improvement:

- Having NATO "redefine its goals and rededicate itself to new missions," in view of the fact that "the relative role of the United States" in the defense of Western Europe "is likely to decline."
- Focusing the next phase of arms control "on conventional forces and weapons in Europe," which will hasten the end of the American military presence there.
- Pursuing the "China card." "There is a strong bipartisan consensus in favor of developing the relationship further. . . . We are confident that the Chinese leaders, now and in the future, will have a keen appreciation for China's geopolitical interests, which we believe will continue to be consistent with our own."

This is the package which Kissinger has essentially sold to Bush. The importance of Bush's choice of Kissinger as his back channel to Gorbachov cannot be overstated, especially given the content of this contact. According to various accounts of Kissinger's mid-January meeting with Gorbachov, including a Feb. 12 *Washington Post* leak, the major topic of the Kissinger-Gorbachov meeting was the former's proposal for an East-West political settlement in Central Europe, which envisions an "independent," neutralized Central Europe, after the Austrian model. According to the *Post*, Kissinger briefed both Bush and Secretary of State James Baker on Jan. 28 on Gorbachov's reaction to this proposal, as well as to Bush's letter, the contents of which have not been revealed. Kissinger reportedly informed Bush and Baker that he forsesees easing of Soviet controls over Eastern Europe, which would permit a drastic reduction in Western forces in Europe.

The Bush administration has given every indication—not least of which were Baker's deliberately provocative tour of Western Europe and Secretary of Defense-designate John Tower's statement at the Wehrkunde meeting in Munich hinting at the withdrawal of U.S. military forces from Europe—that it is indeed operating according to Kissinger's decoupling script.

2. Bailing out Gorbachov

Kissinger played a pivotal role, during the "Détente I" period, in transfer of technology, food, and other economic assistance to the Soviet Union, so it is hardly surprising that, despite his recent warnings that the West shouldn't bail out Gorbachov, he is promoting policies aimed at doing just that:

- The Trilateral-Gorbachov mid-January discussions involved the prospects of vast increases in Western financial assistance to the crumbling Soviet economy. According to TASS reportage, the Trilateral delegation had as their fundamental question for Gorbachov whether "his views of the possibilities of *perestroika* and the time it will take for its ideas to be realized in such a way that it will be possible to raise the issue of organically integrating the Soviet Union into the world economy."
- In the *Foreign Affairs* article cited above, Kissinger and Vance flatly stated, "We are not worried that expanded economic ties with the U.S.S.R. may aid in the creation of a serious economic threat."
- Lawrence Eagleburger, whose myriad financial and political ties to Yugoslavia through Kissinger Associates are documented elsewhere in this report, helped draft a study for the Institute for East-West Security Studies which called for ending restrictions on U.S.-Soviet economic relations. Issued in the fall of 1987, the study praised Gorbachov's reforms and recommended that the U.S. dismantle most restrictions on Soviet-American trade and grant both most-favorednation trade status, and IMF observer status, to the Soviet Union.
- Eagleburger addressed the same issue in the chapter he contributed to the *American Agenda* report, issued by former Presidents Ford and Carter immediately after the presidential election, as a blueprint for the new administration. Eagleburger wrote that one of the major questions in the U.S.-Soviet relationship is, "What steps should be taken to integrate the Soviet Union and Eastern bloc countries into

the world economy, and what conditions must be attached, such as the abandonment of such practices as dumping and heavy subsidies?"

3. Strategic Defense Initiative

The Kissinger cabal poses the greatest single threat to the Strategic Defense Initiative, outside the Soviet Union. He and his collaborators have been trying to destroy the program ever since Reagan unveiled it in March 1983, because they know that development and deployment of a comprehensive strategic defense system would bring a hasty end to the balance-of-terror regime upon which their New Yalta schemes depend.

Although Kissinger has paid lip service recently to the SDI, he and his collaborators have made it perfectly clear that they will permit an SDI program only to the extent that it will be used as a bargaining chip, or, at most, result in a limited missile defense deployment. As Brent Scowcroft wrote in an Atlantic Council report issued last year, to ensure strategic stability, the U.S. "while defending peace and freedom . . . must recognize that certain types of pressure on the Soviet Union could elicit Soviet reactions highly dangerous to peace, democratic values, and Western security," among which would be a full-scale commitment to the SDI.

Scowcroft has repeatedly taken the point for the Kissinger gang against the SDI. He has publicly called Reagan's vision of the SDI as a population protection system "impossible," and has called early SDI deployment a "gamble" which should be avoided at all costs. Shortly before the presidential elections, Scowcroft, who, along with Kissinger, was then serving on the Bush campaign's strategic policy advisory committee, told the *Washington Post* that Bush is "clearly aware" that the SDI cannot continue to take an increasingly large share of a tight defense budget. "There is just absolutely no doubt that SDI cannot continue along the lines that Ronald Regan wanted it to. It's impossible."

Scowcroft has also argued for the "narrow reading" of the ABM Treaty—as does Moscow—which has put killing restrictions on the progress of the SDI. Testifying to the House Democratic Caucus on SDI in 1987, he contended that "ten years' adherence to the 'narrow' or traditional interpretation of the ABM Treaty would not hamper very seriously what we need to do in SDI. . ." which, in Scowcroft's view, is very little.

This past fall, Scowcroft helped devise recommendations for the new administration under the auspices of the Center for Strategic and International Studies (CSIS) in Washington. The report asserts that, "It is against the national interest to adopt deployment of SDI as a goal at this time. . . . Any deployment decision should be delayed until the 1990s at the earliest."

Scowcroft has spoken favorably about Sen. Sam Nunn's (D-Ga.) ALPS ("Accidental Launch Protection System") proposal, which is designed to keep the SDI impotent and obsolete; and, in a chapter he wrote for the *American Agenda* report, recommended limiting the SDI to a "treaty-compliant deployment of 100-200 ground-based ABM launchers" which would only protect U.S. bombers.

4. Third World debt

Kissinger's name has become synonymous in the Third World with the genocidal campaign of the International Monetary Fund (IMF) and the international banks to force repayment of the debt load, even if this means the total destruction of the countries involved. At various times over the past 15 years, he has personally terrorized, intimidated, and blackmailed those political forces who have attempted to defend the principles of national sovereignty and sanctity of human life against this onslaught. For instance, when Mexican President José López Portillo in 1982 adopted a series of emergency economic measures to circumvent the IMF's murderous conditionalities, Kissinger labeled his actions dangerous and radical, and then proceeded to shape the Baker Plan, for the express purpose of undercutting what he labeled "populist" opposition to the IMF.

The Bush administration has given every indication—from Vice-President Dan Quayle's blast at the "debtors' cartel" during his recent trip to Ibero-America to Bush's statement that there is no place for debt forgiveness in any U.S. debt plan and Baker's emphasis on debt-for equity scams— that it intends to follow Kissinger's advice in this crucial area as well.

It appears that Eagleburger will be the administration's chief enforcer on the debt matters. This, despite the fact that he sits on the boards of several major debt-holding banks, among them Midland Bank, while Kissinger Associates represents Chase Manhattan, Citibank, and Midland, which creates a conflict-of-interest situation that makes the recent revelations concerning James Baker's Chemical Bank holdings pale by comparison.

Eagleburger briefly discussed the debt crisis in his chapter of the Ford-Carter *American Agenda*, calling it "a major smoldering problem," a problem so serious that it cannot be "simply a question for the Secretary of the Treasury." He also urged the new administration to make Mexico the chief area of its concern in Ibero-America, and as a first step in that direction, to "appoint a 'czar' to deal with Mexican questions, with specific authority to manage all aspects of U.S.Mexican policy."

The stress on Mexico is a clue to another major component of Kissinger's secret agenda: integrating Mexico, Canada, and the United States into a North American Common Market, in which Mexico's role would be to supply cheap labor and cheap raw materials to its "partners."

Observers believe that Kissinger's and Eagleburger's pawprints were clearly visible in the strong backing which Bush gave to Mexican President Carlos Salinas de Gortari's Nazi-like crackdown on the Mexican oil workers union in January, which was designed to eliminate all independent opposition to the Common Market scenario.

Newly Released FOIA Documents Prove

Kissinger ran 'Get LaRouche' frameup

by Jeffrey Steinberg

Hundreds of pages of FBI documents recently declassified under the Freedom of Information Act (FOIA) provide damning new evidence that it was Henry A. Kissinger personally who was the driving force behind the recent political frameup and jailing of Lyndon H. LaRouche, Jr. The intellectual author of the Strategic Defense Initiative and an international monetary reform program, LaRouche was hounded by government prosecutors for over seven years and eventually convicted on trumped-up conspiracy charges by a rigged federal jury in Alexandria, Virginia late last year. On Jan. 27, LaRouche was sentenced to an unprecedented 15 years in jail and immediately taken off to prison without bail pending appeal—a practice not even imposed on many murderers.

Beginning in August 1982—within days of LaRouche's return from Mexico City, where he met with President José López Portillo to discuss his solution to the Third World debt crisis—Kissinger launched a crusade to force the FBI and the Justice Department to frame up LaRouche.

Kissinger inundated the Department of Justice and the FBI with wildly fabricated "complaints" against LaRouche and his associates—most of which charged LaRouche with criminal harassment—the very crimes that Kissinger was himself committing against LaRouche. In this, Kissinger drew upon his close personal friends, including FBI director William Webster; Georgetown Center for Strategic and International Studies (CSIS) president and the President's Foreign Intelligence Advisory Board (PFIAB) member David Abshire; and *Washington Post* lawyer, Democratic Party fixer, and PFIAB member Edward Bennett Williams. As the documents show, after months of repeated efforts to "tickle" the system into action, Kissinger's labors paid off, triggering a full-scale government assault against the political leader and his associates.

The monetary reform fight

Once earlier, when he was at the height of his power during the Nixon-Ford era, Henry had spewed his venom against LaRouche. Then, as in the more recent years, the actual substance of the LaRouche-Kissinger fight was international economic and monetary policy.

In March 1975, after LaRouche issued his International Development Bank (IDB) proposal for a new global gold-backed monetary system, Kissinger flew to Paris to scotch ongoing LaRouche talks with prominent Middle East government officials, both Arab and Israeli. One Arab state was threatened with immediate cutoff of all U.S. food aid unless it dropped plans to host LaRouche at a diplomatic reception. Shortly thereafter, Kissinger oversaw the overthrow of a nationalist military government in Peru, during the course of which, according to State Department documents, he had the correspondent of this news service, American journalist Gretchen Small, and *EIR*'s Lima bureau chief Luis Vásquez, thrown into jail until an international mobilization forced their release.

The seeds of the later Kissinger assault on LaRouche were actually planted during this period, when FBI files wildly mischaracterized LaRouche's IDB proposal as "an international currency system based on the Soviet ruble."

By August 1982, when Kissinger relaunched in earnest his war on LaRouche, the debt crisis had taken on grave proportions, exactly as LaRouche had been warning for years. Desperate to peddle his own "debt-for-equity" looting schemes to a Reagan administration that had been swept into office in part on the basis of a pledge to keep the likes of Henry out of the corridors of power, Kissinger came to increasingly see LaRouche's own influence within the Reagan White House as a major roadblock to his rehabilitation.

Kissinger's 'Dear Bill' letter

According to FBI files, between 1977, when the Bureau formally "terminated" its 25-year investigation and Cointelpro program against LaRouche, and 1980, the major focus of anti-LaRouche efforts shifted to such private Eastern Establishment-run agencies as the Anti-Defamation League (ADL), which in 1978 launched an international drive to brand LaRouche as a "virulent anti-Semite." Indeed, FBI records from 1980-82 reflected the fact that the Bureau had been forced on several occasions to incorporate material published in *EIR*'s counterintelligence newsletter *Investiga-*

tive Leads in their own investigations, including a file captioned "REAGAT," presumably referring to the March 1981 attempt on the life of President Reagan.

On Aug. 5, 1982, Kissinger launched his drive to sic the FBI on LaRouche, filing the first of many complaints against LaRouche and associates with the FBI's Washington Field Office. This initial complaint charged that *EIR*'s Asia editor at the time, Daniel Sneider (the son of a former Kissinger State Department diplomat) had made a threat on his life. In fact, Sneider had simply called CSIS requesting an on-therecord interview with Dr. Kissinger. In the context of the Sneider probe, which was shut down by the Justice Department on Nov. 16, 1982, early 1970s Cointelpro documents that had falsely branded the NCLC (the philosophical association founded by LaRouche in the mid-1960s) as a "violence-oriented, self-described organization of revolutionary socialists," were dusted off for recirculation within the Reagan administration and the diplomatic community.

On Aug. 19, 1982, Kissinger wrote his now famous "Dear Bill" letter to FBI director Webster: "Because these people have been getting increasingly obnoxious, I have taken the liberty of asking my lawyer, Bill Rogers, to get in touch with you to ask your advice, especially with respect to security. . . . It was good to see you at the [Bohemian] Grove, and I look forward to the chance to visit again when I am next in Washington. Warm regards."

Just days before the Kissinger letter to Webster, on Aug. 14, the European Labor Party (POE), an Italian party with ties to LaRouche, had submitted an investigative dossier to the Italian Attorney General, presenting evidence of Kissinger's involvement in the 1978 kidnaping-assassination of former Prime Minister Aldo Moro.

On Sept. 16, responding to Kissinger's letter and a subsequent *still classified* letter from Kissinger's attorney William D. Rogers, Webster wrote to Rogers to inform him that the Bureau had not yet been provided with sufficient evidence to justify action against LaRouche: "As you know, we here at the Bureau are limited as to what we can do to help, since the data we have does not as yet justify an inquiry on our part."

Perot spies for Kissinger

On Nov. 15, 1982, according to a recently declassified FBI telex, *EIR* reporter Scott McLain Thompson spoke with H. Ross Perot, chairman of the board of EDS Corp. and a member of PFIAB. Thompson, according to the Bureau cable, called Perot "to advise that he was in possession of hard evidence that former Secretary of State Henry Kissinger was a foreign agent and homosexual and could not be trusted with national security information. Perot . . . challenged Thompson to provide this data to the FBI. Thompson stated that he would do so."

The FBI cable, dated Nov. 23, 1982, was from FBI director Webster to the "personal attention" of the Special Agent in Charge of the New York Field Office, R.J. Gray, instructing New York to immediately dispatch special agents to interview Thompson. Webster ended the cable with orders that "no investigation [into Kissinger] should be conducted absent FBIHQ authority."

On Dec. 9, 1982, FBI special agents conducted a lengthy interview with Thompson and Michele Steinberg, another *EIR* counterintelligence specialist. The two-page cable sent to Director Webster and to the FBI Intelligence Division fairly summarized the charges against Kissinger, focusing on: 1) his wartime involvement with the Soviet espionage network known as the ODRA cell, as recounted by former senior Polish intelligence officer M. Goliniewski; 2) Kissinger's British secret intelligence pedigree, as detailed in a May 1982 speech at the Royal Institute of International Affairs (Chatham House); and 3) recent testimony by Corrado Guerzoni, former personal secretary to Aldo Moro, detailing Kissinger's threats to Moro just prior to his kidnaping by the Red Brigades.

In a Dec. 16, 1982 followup cable from NYFO to Webster, Kissinger's homosexuality was referenced. A Nov. 14, 1982 article in *Il Giorno* was provided to the FBI, which "simply informed that Yuri Andropov has blackmail files on Henry Kissinger's sexual activities." Webster's office scuttled the investigation.

Despite the fact that all of the cable traffic between Webster and the NYFO was classified "Secret," Dr. K seems to have been informed immediately about the Thompson approach to the Bureau. On Nov. 25, forty-eight hours after Webster ordered New York to pursue the charges against Kissinger, Henry renewed his correspondence with Webster.

In a much more formal, three-page letter, this time to "Dear Judge Webster," Kissinger stated: "Since your letter of Sept. 16, 1982 to Bill Rogers, concerning the activities of the LaRouche group directed at me, a number of events have occurred which cause me to raise the subject with you once again. I am attaching a chronology and some leaflets which demonstrate a systematic and escalating campaign of harassment, threat and defamation both here and abroad."

Among the five allegations against LaRouche contained in Kissinger's letter was the following:

"Accusations that I am responsible for the murder of leading political figures around the world coupled with other charges (for example the purchase by me of Arab land on the West Bank)—likely to appeal to groups with a high potential for violence, thus risking my personal safety."

The Kissinger correspondence then went on to the following conclusion:

"This conduct raises two additional problems. The first is of an intelligence nature. We may be witnessing here not normal radical political action but a systematic disinformation campaign supported by some foreign intelligence service. How else is one to explain the simultaneous appearances in widely different parts of the world of preposterous

accusations amounting to American collusion in assassinations clearly the work of far left organizations, such as the Red Brigades, whose targets have in fact included Americans? Who finances this network of organizations, newsletters and newspapers?

"Second, the personal harassment is clearly increasing both in the U.S. and overseas. My concern is heightened by the reported history of violence by the LaRouche people against their perceived enemies and opponents." Fine words from a man then under investigation by the Italian magistrates for suspected involvement in the Moro murder, and long suspected by U.S. intelligence of being a Soviet agent.

It is relevant to note that just prior to the Kissinger-toWebster communication, LaRouche had provided the National Security Council with an investigative file on Kissinger's involvement with Britain's Lord Harlech in a West Bank land scam. While subsequent shredding of NSC files makes it impossible to say with certainty that an additional national security probe of Kissinger had been launched, personal contact between LaRouche and NSC staff personnel at the time indicated serious official concern and interest in the Kissinger real estate ventures in the Israeli occupied territories.

Enter PFIAB and Revell

On Dec. 20, 1982, FBI Assistant Director Oliver B. Revell wrote to Kissinger, informing him that a review of his Nov. 25 letter by the Justice Department's Civil Division and by the FBI's Domestic Intelligence section had failed to turn up any possible violations of federal law warranting either investigation or the opening of an FBI intelligence probe— even under the vastly expanded guidelines of Executive Order 12333. Nevertheless, Revell informed Kissinger that Webster had referred the matter to his personal attention.

Anxious to please, and willing to stretch the statutes beyond their limits, Revell informed Kissinger, "Your letter does indicate a possible violation involving the alleged use of the telephone by the group as a method of harassment. Therefore, the aspects relating to alleged harassing telephone calls have been referred to the Criminal Division, USDJ, for its consideration as to whether any further Federal action is warranted."

Revell simultaneously forwarded Kissinger's letter "with enclosures" to the Justice Department's Criminal Division, citing "possible violation of Title 47, U.S. Code, Section 223, Interstate Obscene or Harassing Telephone Calls Statute."

Correctly reading Revell's signal of FBI willingness to accommodate his "Get LaRouche" pleas, Kissinger next activated two longtime allies, David Abshire and Edward Bennett Williams, both of PFIAB.

According to a Jan. 12, 1983 memorandum from Webster to Revell, "At the PFIAB meeting today, David Abshire raised the subject of the activities of the U.S. Labor Party and Lyndon LaRouche. He noted that he and a number of other Americans in public life had been the subject of repeated harassment by LaRouche and wondered whether the FBI had a basis for investigating these activities under the guidelines or otherwise. A number of the members present, including Edward Bennett Williams, raised the question of the sources of funding for these U.S. Labor Party activities. In view of the large amounts obviously being expended worldwide, the question was raised whether the U.S. Labor Party might be funded by hostile intelligence agencies. Can you give me an update together with any comments or observations on this matter?"

Although the PFIAB "discussion" simply repeated the same self-serving phony charges contained in the earlier Kissinger letters, the official imprimatur of the President's intelligence board gave Webster and Revell the scintilla of authorization they needed to unleash a full-scale assault. Six years and tens of millions of taxpayers' dollars later, Kissinger's "Get LaRouche" wishes were in part fulfilled:

- Within five days of the PFIAB meeting, the Criminal Division of the Justice Department formally opened an ivestigation into the telephone harassment charges.
- Four days later, the FBI Intelligence Division produced a scurrilous "Secret" report, which, over the next several years, would be disseminated to foreign governments around the world through FBI legates posted at American embassies.

Overtly contradicting reams of material in the FBI's own files, and turning Kissinger's false and as yet uninvestigated claims into "fact," the Jan. 21, 1983 memo stated, in part:

"Lyndon LaRouche is the founder and leader of a Marxist organization called the NCLC and its political arm, the U.S. Labor Party [defunct for nearly 10 years—ed.]. LaRouche and his organizations produce several publications, including the Executive Intelligence Review, a medium by which LaRouche expounds bizarre and conspiratorial theories and views on world affairs.

"One of LaRouche's most bizarre theories envisions a vast conspiracy against him and his organization inspired by the Rockefeller family and the British Royal Family and involving the British Government, and Security Services, CIA and KGB. . . .

"Several U.S. and foreign government officials and other individuals in public life have been subjected to repeated harassment by LaRouche's organizations. . . .

"While many of the statements and policy positions of LaRouche's organizations dovetail nicely with Soviet propaganda and disinformation objectives, we have no firm evidence that they are being inspired, directed or funded by the Soviet Union or other foreign groups." The rest of that sentence and the remainder of the paragraph was blacked out on a "b.1" exemption, which refers to ongoing national security probes.

Kissinger and the West Bank landscam

by Joseph Brewda

Back during October 1982, Lord Harlech (a.k.a. David Ormsby-Gore) was putting together an international combination of business and political interests to invest enormous sums in real estate on the Israeli-occupied West Bank of the Jordan River. Among the key figures that Harlech reported were involved in this venture was former Secretary of State Henry Kissinger, then in the process of forming Kissinger Associates. Others active in the venture reportedly included: Lord Carrington, Kissinger's partner at Kissinger Associates; British Parliament member Julian Amery; former U.S. Secretary of Defense Robert McNamara; and former U.S. Secretary of State Alexander Haig.

According to Harlech's cronies, third-party Arab buyers would purchase blocks of real estate on behalf of the Harlech group. These areas, which would eventually become "Arab free," would be used to settle the large numbers of Soviet Jews expected to emigrate to Israel.

EIR's investigations quickly established that, far from being a simple business venture, the Harlech group's enterprise was part of a plan to destabilize the entire Middle East, through fostering both Jewish fundamentalist and Muslim fundamentalist violence in Jerusalem. According to the scenario, Jewish crazies would blow up Jersualem's Al Aqsa mosque on the Temple Mount, setting off Muslim riots, particularly targeting the Saudi Kingdom.

To prepare for this caper, then Israeli Defense Minister Ariel Sharon had held a meeting at his farm in the spring of 1982 with a number of his cronies, including Rafi Eytan, then the prime minister's Adviser on the Warfare against Terror; Gen. Rehavam Ze'evi, a leading member of the Israel mafia; and Meshulem Riklis, the New York-based chairman of Rapid-American and Sharon's patron. Follow-up meetings worked out the details of the destabilization ordered by the Anglo-Americans.

The Sharon group was particularly well suited to handle this task. As agriculture minister, Sharon had overseen the construction of numerous West Bank settlements of the fundamentalist Gush Emunim, and the Jewish Defense League (JDL, or Kach party), lead by former CIA agent Rabbi Meier Kahane. Since moving to Israel, Kahane's operations have fallen under the local supervision of Sharon side-kick Eytan, while retaining their international connections.

Shortly after the Harlech-Kissinger discussions, and the Sharon field-hand meetings, the Jewish fundamentalist crazies went into high gear. Since 1982, JDL and Gush Emunim throw-aways have been caught red-handed in several efforts to bomb the Temple Mount. During the middle of the Palestinian uprising in the West Bank last year, Israeli soldiers, acting in furtherance of this scenario, even shot into the mosque, predictably leading to more riots.

EIR coverage of the "landscam" and "Temple Mount" plots provoked an international uproar, particularly among the oligarchical circles of Europe, not the least because the exposé showed that the Kissinger network was run at the highest level out of the United Kingdom. U.S. documents made available to *EIR* through the Freedom of Information Act show that Henry Kissinger was particularly incensed by those 1983 articles.

Not a mere Israeli affair

One of the specific reasons for the international outcry was that *EIR* had traced back Harlech and Kissinger's game to the Quatuor Coronati Lodge of Scottish Rite Freemasonry, housed in London. Masons, as is well known, claim their descent from the builders of Solomon's Temple. The plot to blow up the Temple Mount was, consequently, ideologically motivated as well.

The sponsorship of the Harlech-Kissinger group by the Masonic order was quite overt. As a Quatuor Coronati Lodge spokesman put it at the time, "The Middle East could be hit by a new wave of fundamentalism. . . . The one thing that would unite the whole Arab world would be an attempt to rebuild Solomon's Temple; this would lead to no end of trouble. . . . It would nice to see the Temple of Solomon there, but you would have to do something with the mosque first, like blow it up."

Meanwhile, *Biblical Archeological Review*, an organ effectively under the control of the Lodge, published a piece entitled "Where was Solomon's Temple," setting out the scenario for blowing up the mosque and rebuilding the Temple.

The U.S. side of this operation was run by the Temple Mount Foundation, founded by Terry Reisenhuver, whose vast North slope oil concessions had been sponsored by Kissinger Associates board member Robert O. Anderson. Reisenhuver's group, composed primarily of Protestant fundamentalists, aided their British cousins by generously funding the JDL and the Gush Emunim, even in opposition to many Israeli groups that feared the consequences of the plot. Many Israeli intelligence professionals, for example, were not ignorant of the fact that the Masonic lunatics proposing the construction of the Temple Mount were also intent on shattering the Israeli state. Kissinger's duplicity had hardly been to Israeli national advantage.

Such suspicions seemed to have been confirmed when the Palestinian uprising on the West Bank began in November 1987, the same week that General Secretary Gorbachov held his Pearl Harbor Day summit with President Reagan.

BORing from within U.S. intelligence

by Scott Thompson

When *EIR* first opened the Kissinger dossier over a decade ago, a majority of the U.S. intelligence community led by James Angleton, the CIA chief of counterintelligence whom Kissinger forced from office, insisted that Henry Kissinger was a Soviet agent. They cited reliable defector information that Henry Kissinger was codenamed "BOR," when he was recruited into a joint KGB/GRU "ODRA Cell," operated through Polish intelligence, which had penetrated the U.S. Army Intelligence Command Center Europe (EUCOM G-2) at Oberammergau, Germany, in 1947, with a homosexual blackmail ring. They also cited as evidence Kissinger's treasonous handling of the 1972 SALT-ABM Treaty negotiations, when Kissinger launched the "Détente I" process. The terms of the treaties ensured the Soviet Union military superiority, close to a first-strike capability; further, Kissinger unilaterally curtailed the antecedents of the Strategic Defense Initiative on the American side, while the Soviets went ahead with a program to develop ballistic missile defense based upon "new, exotic principles," as Soviet Marshal V.D. Sokolovskii termed such directed-energy weapons in his 1962 book *Military Strategy*.

Although *EIR* took this majority view of the U.S. intelligence community seriously, we maintained that a more correct title for Kissinger's memoirs—as opposed to the flights of fantasy he has already written, like *The White House Years*—might be: *I Was a Soviet Agent-of-Influence in Her Majesty's Secret Service*.

A relevant item in the Kissinger dossier, which U.S. intelligence overlooked because of the Anglo-American "special relationship," was Henry Kissinger's open boasting of three decades of treason, when he spoke before a British audience at London's Royal Institute for International Affairs (Chatham House, an international front of Cecil Rhodes's Round Table) on May 10, 1982. As Lyndon LaRouche wrote about Kissinger's revelations in *EIR* on June 1, 1982: "In that speech, Kissinger insists that since no later than the term of office of Secretary of State Jimmy Byrne (June 1945-January 1947), the foreign policy of the United States has been dictated from London by means of secret, unwritten agreements between certain U.S. officials and the Royal government."

Going even further, Kissinger told the Chatham House audience:

"The British were so matter-of-factly helpful that they became a participant in internal American deliberations, to a degree probably never before practiced between sovereign nations. In my period in office, the British played a seminal part in certain American bilateral negotiations with the Soviet Union—indeed, they helped draft the key document. In my White House incarnation then, I kept the British Foreign Office better informed and more closely engaged than I did the American State Department. . . ."

From the Soviet newspaper Pravda, *this photo shows Mikhail Gorbachov's meeting with members of the Trilateral Commission in Moscow on Jan. 19: (left to right) David Rockefeller, Gorbachov, Valéry Giscard d'Estaing, Henry Kissinger, Yasuhiro Nakasone.*

While there is no reason to doubt the evidence of Kissinger's Soviet agentry presented by the U.S. intelligence community, a more appropriate view of the matter is that taken by LaRouche in his June 1982 *EIR* piece: "The Philby case is exemplary. Harold "Kim" Philby, presently an influential General of the Soviet KGB, is to the present moment one of the most prized assets in Moscow of the British monarchy's private household. Philby . . . was sitting in Washington directly on top of the innermost secrets of U.S. intelligence— some of which he was transmitting to Moscow—including his knowledge of every unwritten secret British-American agreement of the sort to which Kissinger refers broadly in his recent public address in Britain." The record shows that Henry Kissinger is a geopolitical deployment of the same British circles that deployed H.A.R. "Kim" Philby.

An Anglo-Soviet Trust agent

Highlights of the Kissinger dossier include:

- In 1960, the former Chief of Polish Intelligence's Counterintelligence unit, operating under the pseudonym "Col. Michael Goliniewski," defected to the CIA, after he had exposed a dozen top Soviet "moles" throughout Europe. "Colonel Goliniewski" told the CIA about a penetration of EUCOM G-2 at Oberammergau, known as the "ODRA Cell," which Henry Kissinger, then a civilian employee at the intelligence school center, had been recruited into under the codename "BOR."

Earlier, as a non-commissioned officer with the 84th Division's 790th Counterintelligence Corps based in West Germany, Kissinger's unit had recruited several Nazi/Communist double agents, including SS officer Klaus Barbie, who, according to documents released under the Freedom of Information Act, had been recruited by the Soviets earlier through the "Red Lilac Organization": a Nazi/Communist underground based in the Soviet zone of occupied Germany.

In 1951, Eric Bosenhard was sentenced to four years' imprisonment by courts of the Allied High Commission for his role in the "ODRA Cell." In his appeal, Bosenhard claimed to have been blackmailed as a homosexual. Kissinger was protected from prosecution for his role in the "ODRA Cell," and British spy novelists like Richard Deacon, in his recent book *The Truth Twisters*, continue to run protection for the Goliniewski revelations about Kissinger.

• Kissinger's first of several mentors was Fritz Kraemer, like Kissinger a German refugee to the United States, who has aristocratic pretensions. Kraemer had been trained at the London School of Economics, and he once told *EIR* that his closest friend was Jay Lovestone, the Soviet Trust agent who was general secretary of the Communist Party U.S.A. until he was ousted as part of Stalin's purge of the Bukharinites. Kraemer introduced Kissinger, whom he termed "my little Jew," to William Yandell Elliot at Harvard, who had himself been recruited as an American agent of Cecil Rhodes's Round Table movement, when Elliot studied under A.D. Lindsay at Balliol College, Oxford. Elliot's Oxford thesis, as well as his later writings to bring the United States into World War II as Britain's "dumb giant on a leash," spoke of the U.S. becoming a "Round Table for the Republic," or more specifically, part of a post-World War II Anglo-American, English-speaking Commonwealth, as envisioned by Rhodes. Following Kraemer's advice that "a gentlemen does not attend City College," Kissinger entered Harvard and became a protégé of Elliot.

As Kissinger's British colleague Lord Home of the Hirsel (a.k.a. Alec Douglas-Home, the former British Foreign Secretary), told *EIR*, "Kissinger was an agent of Britain by instruction."

• In 1954, with the emergence of Nikita Khrushchov as Soviet general secretary, the KGB revived the more sophisticated, pre-Stalin practices of deception and provocation, as epitomized by Feliks Dzerzhinsky's "Trust" operation, according to the report of Soviet defector Anatoli Golitsyn, writing in *New Lies for Old*. Along with these methods, the Soviets founded a disinformation department of the KGB.

As *EIR* has elsewhere documented, perhaps the most important back channel established by Khrushchov's KGB officials as part of the "Trust" revival was the Pugwash Conference, which was founded in 1955 by the evil Earl Bertrand Russell, out of the World Association of Parliamentarians for World Government. Russell, an avowed Communist who hated the United States, sought to use Pugwash to negotiate with the Soviets a "one-world empire" with Eastern and Western divisions (patterned upon the Greco-Persian system negotiated with Alexander the Great's father, Philip) that would use its monopoly on nuclear weapons to carry out a "global New Yalta" condominium.

Pugwash was used by the Soviets to dupe the Western elites into believing that they had accepted the insanity of Mutual Assured Destruction (MAD), theater-limited nuclear war, and flexible response, peddled by Kissinger in his 1954

"In my period in office, the British played a seminal part in certain American bilateral negotiations with the Soviet Union—indeed, they helped draft the key document. In my White House incarnation then, I kept the British Foreign Office better informed and more closely engaged than I did the American State Department."
—Henry Kissinger

book for the Council on Foreign Relations, *Nuclear Weapons and Foreign Policy*. The conferences also became, through Kissinger's participation in the 1960s, the preferred back channel through which the 1972 SALT-ABM Treaty was prenegotiated, even before the Nixon administration took up the arms control issue. During the 1960s, Kissinger participated opposite known or suspected KGB agents in several Pugwash conferences, including the seminal 11th Pugwash Conference at Dubrovnik, Yugoslavia, of September 1963, where Pugwash launched the campaign against U.S. development of ballistic missile defense (BMD).

This campaign was spun off from the Soviet "moles" in Pugwash to be picked up in the United States by such individuals as former Kennedy administration National Security Adviser McGeorge Bundy, who mobilized mass support against an American BMD system, while Kissinger published a book which suggested that the United States should stick with the MAD doctrine (leaving its cities wide open to nuclear bombardment), even though the Soviets continued to build the sort of strategic defense Initiative advocated publicly by Marshal Sokolovskii as early as 1962.

Once Kissinger became national security adviser to President Nixon, he invited the American Pugwash scientists to join a panel which laid the basis for the ABM Treaty, that shut down the U.S. BMD program, while permitting the

Soviets to develop the "exotic technologies" envisioned by Sokolovskii.

Kissinger and East-West trade

Henry Kissinger claims, in the second volume of his memoirs, that it was a group of naive American businessmen, not himself, who instituted the stampede toward expanded East-West trade during the years of "Détente I." An actual look at the record finds that Kissinger was a seminal figure in such trade, as he is today through his firm Kissinger Associates, during the emergence of "Détente II" with Mikhail Gorbachov.

This question is especially relevant today, given the stated commitment of Sen. Jesse Helms (R-N.C.) to go through the record of Kissinger Associates clients with a fine-toothed comb, during Senate Foreign Relations Committee hearings into the nomination of Kissinger Associates President Lawrence Eagleburger to be Undersecretary of State in the Bush administration. Already, the Senate investigation has discovered Eagleburger implicated in an East bloc money-laundering and technological espionage case, through his position on the board of the Yugoslavian LBS Bank of New York. Several Kissinger Associates clients were in the forefront of East-West trade during Détente I and II.

On Nov. 20, 1971, Henry Kissinger sent Commerce Secretary Maurice Stans to Moscow on a trip that would make expanded East-West trade the cornerstone of his "Détente I" policy. In 1972, Kissinger operated through the Treasury Department to establish the U.S.-U.S.S.R. Joint Commercial Commission, which gave the U.S. government direction to expand trade in heretofore embargoed areas, as well as negotiating Most-Favored Nation trading status for the Soviet Union and a settlement of the Soviets' Lend-Lease debts, which amounted to less than 10¢ on each dollar spent by the United States to save the Soviet Union after the Nazi invasion. Later, Kissinger fought the adoption of the late-1973 Jackson-Vanik Amendment, which linked the granting of MFN status and Ex-Im Bank credits, to the human rights issue. Also in 1973, Kissinger initiated, through Pepsico chief Don Kendall, Soviet Trust agent Armand Hammer, and Kissinger's patron David Rockefeller, the founding of the U.S.-U.S.S.R. Trade and Economic Council (USTEC), which acted as a U.S.-Soviet Chamber of Commerce to expand trade. USTEC's founding also involved then Treasury Secretary George Shultz.

Among the leading Kissinger Associates clients involved in East-West trade are:

- **Chase Manhattan Bank.** Since the 1920s, Chase had functioned as a U.S. Ex-Im bank, maintaining a revolving credit line to finance trade with the Soviet Union. It even was caught trying to smuggle tank engines to the U.S.S.R. in the 1930s. Chase chairman David Rockefeller was a co-founder of USTEC, and on May 21, 1973, he was the first American banker to open an office in Moscow, at 1 Karl Marx Square. Rockefeller had plumped for expanded East-West trade since the Johnson administration. During "Détente I," Chase was the lead financier of the Kama River truck plant, which also produced Soviet military trucks.
- **Fiat.** During "Détente I," Italy's Fiat, assisted by U.S. firms, built the Togliatti auto plant at Volgograd, which not only produced the Fiat-124, but also advanced suspension systems for Soviet tanks. Fiat chairman Gianni Agnelli was then and is now on the International Advisory Board of Chase; Kissinger became the board's chairman when he left public office. Today, Fiat is building more, modern automotive plants in the U.S.S.R.
- **Montedison.** This Italian firm, whose account was handled at Kissinger Associates by Lawrence Eagleburger, in March 1988 confirmed that it would take part in the largest joint venture ever built in the Soviet Union: a $6 billion modern petrochemical plant. Montedison's partners include Soviet Trust agent Armand Hammer's Occidental Petroleum.

LaRouche comments on Bush role in his case

The following statement was released by Lyndon H. LaRouche, Jr. on Feb. 22:

"Naturally, there is a growing, international perception, that President George Bush is guilty of some degree of witting complicity in the atrocity perpetrated against me and my associates. There is an expressed desire that I comment upon this.

"There is Bush complicity. For example, a document taken from Lt. Col Oliver North's White House safe exposed a malicious operation against me, of which Bush's legal counsel, C. Boyden Gray, has relevant knowledge. There is other evidence tending to implicate George Bush himself.

"The most relevant fact is, that the Bush White House has independent knowledge that the charges against me are fraudulent. How the White House acts, on the basis of its knowledge, will be a test of the new administration's morality.

"I propose to allow the White House a fair amount of time to clean its skirts of complicity in the political frameup in Judge Bryan's court. In the meantime, I limit my fire to the leading issue, of getting Henry A. Kissinger and everything he represents out of U.S. policy-shaping.

"I emphasize, these recent developments have proven conclusively, that every derogatory thing I have said about Kissinger is true, and much, much more."

The bloody hand of a geopolitical gangster

During Henry Kissinger's last term in the U.S. government, he was suspected of having engineered the assassination of at least three foreign leaders. The dossier includes:

• **Aldo Moro,** the president of Italy's ruling Christian Democratic party and former prime minister, was kidnaped by the Italian Red Brigades, and his body was found on May 9, 1978. Subsequent investigations by Italian authorities—corroborated by the testimony of Moro's wife, his daughter Agnese, and his son Giovanni—led from the Red Brigades first to the Propaganda-2 Freemasonic Lodge of Nazi/Communist Licio Gelli, which had mounted a decade-long campaign of coup d'état attempts and "red" and "black" terrorism throughout Italy, thence to such higher-ups in control of the P-2 Lodge as Henry Kissinger and Alexander Haig. Mrs. Moro and her children stated during the Moro trial, that to understand the international conspiracy behind her husband's kidnaping and murder, it is necessary to go back to the threats he received from Kissinger in 1975, when Moro began his policy to woo the Italian Communist Party (PCI) toward support of the Italian state, rather than the terrorist-linked radicals. According to the statements of Aldo Moro's family, Kissinger warned Moro that unless he ceased pursuing "the idea that all the political forces should collaborate and participate directly in the life of the country—he would pay dearly for it." Several other leading Italian politicians who were present at meetings between Kissinger and Moro confirmed this pattern.

In 1982, Celso Elio Ciolini, an individual closely linked to the head of P-2 Lodge, Licio Gelli, presented to the press evidence of the existence of a Comité Monte Carlo, which was the elite body governing the Lodge. Ciolini named Henry Kissinger as being a prominent name on the list of 400 persons belonging to the Comité Monte Carlo. Earlier, British press sources had stated that when he was President Nixon's national security adviser, Henry Kissinger, assisted by Gen. Alexander Haig, had conveyed "crocodile funds" to Gelli's P-2 Lodge for a series of aborted coup attempts. Ciolini elaborated in courtroom testimony in Bologna that it was through the Comité Monte Carlo, in a meeting at the Hotel de Paris in Monaco on April 11, 1980, that Gelli planned the Aug. 2, 1980 bombing of the Bologna train station.

After the meeting, Gelli traveled to the Hotel Sheraton in Buenos Aires, where he met with the notorious neo-fascist terrorist Stefano Delle Chiaie, who carried out the bombing before joining up with Nazi SS officer Klaus Barbie, who was providing paramilitary support to the "cocaine colonels" in Bolivia. It is also notable that Henry Kissinger's U.S. Army Counterintelligence Corps unit was the first unit to recruit Klaus Barbie for U.S. intelligence (when Barbie was already an agent of the Soviet Union), before shipping Barbie to Latin America, with the assistance of Licio Gelli.

Thus, Kissinger not only directly threatened Moro according to unimpeachable sources, but he funded the P-2 Lodge which killed Moro and carried out terrorism and coup attempts in Italy.

• **Zulfiqar Ali Bhutto,** the prime minister of Pakistan, was overturned by a coup d'état on July 5, 1977, imprisoned, and then hanged in early 1979. In 1977 from prison, Bhutto wrote a response toa concocted government White Paper which *EIR* published in January 1979 under the title, "The Pakistan Papers," where Bhutto charged that he was overthrown because of his conflict with Henry Kissinger, who had signed "a death sentence against his person." The reason that Kissinger threatened Bhutto was, according to Bhutto, that he had refused to accede to threats and pressures from Kissinger to the effect that Bhutto must stop the development of "uranium-processing plants to satisfy Pakistan's energy needs." No doubt Bhutto's daughter Benazir, the current prime minister of Pakistan, recalls vividly her father's charge that it was Henry Kissinger who was responsible for his judicial murder.

• **Luis Carrero Blanco,** the Spanish prime minister, like Moro, had opposed the concession of military bases repeatedly demanded by Henry Kissinger during the Arab-Israeli war in October 1973. Kissinger traveled to Spain to confront Carrero Blanco directly, holding talks with him on this point in Madrid on Dec. 18 and 19. Carrero Blanco held firm. The following day, Dec. 20, Carrero Blanco was assassinated, when a powerful bomb placed under the road exploded, throwing the car carrying Carrero Blanco onto the roof of a nearby church.

Coups and murders

The record does not stop here. Henry Kissinger's role in the coup d'état against and murder of the President of Chile, **Salvador Allende,** has been extensively documented by others, including the former U.S. ambassador to Chile who found himself completely by-passed in Kissinger's "two-track" diplomacy that prepared the coup. Similarly, informed Arab sources believe that Kissinger had a role in the murder of Saudi **King Faisal,** whose assassin had been systematically brainwashed for this purpose in the United States. Finally, there are the crimes that arise from Kissinger's penchant, reported by multiple sources, for sodomic, homosexual rape. Among those whom Kissinger is alleged to have killed under such circumstances, eyewitnesses report, was a Romanian busboy in Acapulco, Mexico.

HENRY A. KISSINGER

OUTSIDE SOURCE

August 19, 1982

Dear Bill:

I appreciated your letter forwarding the flyer which has been circulated by Lyndon LaRouche, Jr. Because these people have been getting increasingly obnoxious, I have taken the liberty of asking my lawyer, Bill Rogers, to get in touch with you to ask your advice, especially with respect to security.

It was good to see you at the Grove, and I look forward to the chance to visit again when I am next in Washington.

Warm regards, 16 SEP 23 1982

Henry A. Kissinger

Mr. William H. Webster
Director
Federal Bureau of Investigation
Washington, DC 20535

HENRY A. KISSINGER
SUITE 400
1800 K STREET N. W.
WASHINGTON, D.C. 20006

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TO FBI NEW YORK PRIORITY

PERSONAL ATTENTION: SAC R. J. GRAY

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ON NOVEMBER 16, 1982, H. ROSS PEROT, CHAIRMAN OF THE BOARD OF ELECTRONIC DATA SYSTEMS CORPORATION, DALLAS, TEXAS, AND A MEMBER OF THE PRESIDENT'S FOREIGN INTELLIGENCE ADVISORY BOARD, TELEPHONICALLY CONTACTED DAD NOLAN, INTD, TO ADVISE OF A TELEPHONE CALL HE HAD RECEIVED FROM CAPTIONED SUBJECT. SUBJECT IDENTIFIED HIMSELF TO MR. PEROT AS BEING CONNECTED WITH THE U. S. LABOR PARTY AND LYNDON LA ROUCHE.

Exp - +

SUBJECT STATED THAT HE WAS CALLING MR. PEROT TO ADVISE THAT HE WAS IN POSSESSION OF HARD EVIDENCE THAT FORMER SECRETARY

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PAGE TWO DE HO 0018 C O N F I X E N T I A L

OF STATE HENRY KISSINGER WAS A FOREIGN AGENT AND HOMOSEXUAL AND COULD NOT BE TRUSTED WITH NATIONAL SECURITY INFORMATION. MR. PEROT ADVISED THOMPSON THAT HE DID NOT BELIEVE HE HAD CREDIBLE EVIDENCE TO SUPPORT HIS ALLEGATIONS AND CHALLENGED HIM TO PROVIDE SUCH DATA TO THE FBI. THOMPSON STATED THAT HE WOULD DO SO.

PEROT REQUESTED THE FBI TO INTERVIEW THOMPSON AND ASK HIM TO PRODUCE HIS "PROOF.

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PROMPTLY CONTACT THOMPSON, REFERENCE HIS PHONE CALL TO
MR. PEROT AND REQUEST HIM TO PROVIDE THE EVIDENCE CONCERNING
DR. KISSINGER HE ALLEGES TO POSSESS.

NEW YORK INDICES AND IN PARTICULAR NEW YORK FILE
105-47221 SHOULD BE REVIEWED CONCERNING THOMPSON AND NEW YORK'S
PAST CONTACTS WITH HIM. SHOULD THOMPSON OFFER ANY INFORMATION
THAT INFORMATION SHOULD BE PROVIDED TO FBI HEADQUARTERS WITH
NEW YORK'S OBSERVATIONS. NO INVESTIGATION SHOULD BE CONDUCTED
ABSENT FBI HEADQUARTERS AUTHORITY.

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AIRTEL

12/16/82

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TO: DIRECTOR, FBI
(ATTN: INTD)

FROM: ADIC, NEW YORK (65B-27382) (C) (#30)

SUBJECT: SCOTT MC LAIN THOMPSON
[redacted] (S)

~~This document is classified "Secret" in its entirety.~~

ReButel to NY, 11/23/82.

Enclosed for the Bureau are three copies of the Executive Intelligence Review Special Reports, dated 6/1/82, 9/21/82, and 10/19/82.

On 12/9/82, SAS of the NYO met with captioned subject and MICHELE STEINBERG, both of whom are affiliated with LYNDON LA ROUCHE and the National Caucus of Labor Committees (NCLC). At this meeting, THOMPSON and STEINBERG supplied the following information relative to HENRY KISSINGER, which is based upon NCLC research and data obtained from foreign publications. This information was supplied verbally but to substantiate their claims in print, the interviewing agents were given four different copies of the Executive Intelligence Review, a magazine founded by LA ROUCHE and one in which he is currently a contributing editor; one copy of a Hebrew magazine article written in Hebrew, and several Italian newspaper articles, all written in Italian.

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Prior to discussing the allegations against KISSINGER, the agents initially asked the interviewees why H. ROSS PEROT was first selected to be contacted in this matter. In response, THOMPSON stated that PEROT was chosen simply because his organization knew that PEROT was on the President's Foreign Intelligence Advisory Board. STEINBERG additionally advised, however, that in a separate act she informed the FBI of this information on KISSINGER when, in the latter part of November, 1982, she sent several pieces of information to SA [redacted] at FBIHQ.

Subsequent to this, the discussion on KISSINGER commenced and the topic of his being a foreign agent was expounded on first. Essentially, the agents were informed that there are three reasons why the NCLC considers KISSINGER dangerous.

The first deals with the fact that KISSINGER, while stationed in West Germany as part of the US Intelligence Corps from 1945-47, was involved in an intelligence network known as the Odra Cell, an intelligence ring run jointly by the Soviet GRU and the Polish Intelligence, whose assignment was to penetrate US and British military intelligence during the occupation of Germany. This information allegedly came to light in the early 1960's when a Polish intelligence officer, who had defected to the CIA, revealed that KISSINGER was a part of this Cell. Agents were advised that the defector's name was MICHAEL GOLINIEWSKI.

The second reason pertains to the fact that KISSINGER is a self-described agent of the British Intelligence who publicly admitted that while in office, he worked more with the British than the State Department.

The last reason relates to the fact that KISSINGER was known to have once threatened the now-slain Italian Premier ALDO MORO. This information, according to the interviewees, surfaced on 11/10/81, when CORRADO GUERZONI, once a personal aide to MORO, gave testimony in Rome, Italy stating that KISSINGER threatened MORO because of MORO'S involvement with the Italian Communist Party.

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HENRY A. KISSINGER

November 25, 1982

Dear Judge Webster:

Since your letter of September 16, 1982 to Bill Rogers concerning the activities of the LaRouche group directed at me, a number of events have occurred which cause me to raise the subject with you once again. I am attaching a chronology and some leaflets which demonstrate a systematic and escalating campaign of harassment, threat and defamation both here and abroad.

I want to make clear that I do not ask the FBI to interfere in any manner with LaRouche's First Amendment rights even when they are exercised in a scurrilous and obscene manner. The LaRouche campaign against me, however, seems to go far beyond free speech. It has the following elements for which I believe the LaRouche groups or followers are responsible. Although many of the incidents are cloaked behind anonymous telephone calls, the fact is not a single similar incident of harassment ever occurred before the LaRouche group proclaimed me as one of their principal targets:

a. A systematic and escalating attempt to disrupt my public appearances by first seeking to induce the organizers to cancel them and then interfering with the events by disrupting them. The approaches to the organizers frequently use fictitious names or news organizations or well-recognized names employed by imposters.

b. A systematic attempt to disrupt my professional life by calling individuals associated with my activities with defamatory accusations. Associates are invited to fictitious meetings, and scheduled meetings are cancelled by imposters. The method is the same: false names or organizations or real names used by imposters. These activities are global, ranging from Mexico to London and to Munich. This undermines the credibility

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of genuine communications and puts me to considerable expense to authenticate communications either received or sent out.

c. Attempts to obtain information about my travel and other plans, coupled with statements that my activities will be closely monitored and with harassing or threatening calls wherever I travel.

d. Accusations that I am responsible for the murder of leading political figures around the world coupled with other charges (for example the purchase by me of Arab land on the West Bank)--likely to appeal to groups with a high potential for violence, thus risking my personal safety.

e. Threats to "get even" with me for these alleged activities, to destroy me, to silence me, and to hold me responsible for claimed attempts on Mrs. LaRouche's life.

You will recognize that the chronology is likely to be incomplete since many recipients of phone calls may not inform me.

All of the aforementioned conduct is interfering with my First Amendment rights, including my right to discuss public affairs and express opinions on policy matters, as well as my rights of unimpeded interstate and international travel.

This conduct raises two additional problems. The first is of an intelligence nature. We may be witnessing here not normal radical political action but a systematic disinformation campaign supported by some foreign intelligence services. How else is one to explain the simultaneous appearance in widely different parts of the world of preposterous accusations amounting to American collusion in assassinations clearly the work of far left organizations, such as the Red Brigades, whose targets have in fact included Americans? Who finances this network of organizations, newsletters

and newspapers?

Second, the personal harrassment is clearly increasing both in the United States and overseas. My concern is heightened by the reported history of violence by the LaRouche people against their perceived enemies and opponents.

I therefore request an investigation to ascertain whether the foregoing activities violate federal law. I further request that steps be taken to assure the safety of my family and myself.

I would hope that these measures will not be delayed until a significantly more harmful and damaging event occurs.

Warm regards,

Henry A. Kissinger

[Approved by Dr. Kissinger from New York. A signed copy will be forwarded in due course.]

Mr. William H. Webster
Director
Federal Bureau of Investigation
U.S. Department of Justice
Washington, D.C. 20001

January 12, 1983

MEMORANDUM TO MR. REVELL

RE: U.S. LABOR PARTY

At the PFIAB meeting today, David Abshire raised the subject of the activities of the U.S. Labor Party and Lyndon LaRoche. He noted that he and a number of other Americans in public life had been the subject of repeated harassment by LaRoche and wondered whether the FBI had a basis for investigating these activities under the guidelines or otherwise. A number of the members present, including Edward Bennett Williams, raised the question of the sources of funding for these U.S. Labor Party activities. In view of the large amounts obviously being expended worldwide, the question was raised whether the U.S. Labor Party might be funded by hostile intelligence agencies.

Can you give me an update together with any comments or observations on this matter?

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William H. Webster
Director

1 - Mr. O'Malley

WHW:mfd

JACK ANDERSON and DALE VAN ATTA

The Ins and Outs of Eagleburger

If Lawrence S. Eagleburger is confirmed as deputy secretary of state, he will bring with him a wealth of experience in dealing with Yugoslavia—maybe too much wealth.

Eagleburger has revolved in and out of the diplomatic door. While he was in, he hustled loans from U.S. banks for Yugoslavia. While he was out, he joined the board of directors of a Yugoslavian bank that benefited from those loans. While he was in, he encouraged Yugoslavia to generate hard cash by producing exports. While he was out, he became the top American representative for one of those exports—the Yugo car.

Now Eagleburger is on his way in again, having been nominated as the No. 2 official at the State Department.

Eagleburger is a well-regarded former Foreign Service officer who spent 27 years with the State Department. His career was boosted during the Nixon administration when he became a protege of former secretary of state Henry A. Kissinger.

During the Carter years, Eagleburger was U.S. ambassador to Yugoslavia. Under the Reagan administration, he was assistant secretary for European affairs and undersecretary for political affairs, until he retired in 1984.

As ambassador and assistant secretary, Eagleburger leaned on U.S. banks to lend money to Yugoslavia, even though loans to East European countries were frowned on by the administration.

In a 1985 interview, a Yugoslavian newspaper asked Eagleburger if he felt some responsibility for putting Yugoslavia billions of dollars into debt. "I believe I did a great favor to Yugoslavs getting them the money they felt was needed at the time," he responded. "I will not apologize because of this. If now Yugoslavia has difficulties in paying back, then maybe she should not have taken the loans."

That Monday-morning quarterbacking is little comfort to Yugoslavia, which is $20 billion in debt and has an inflation rate of 200 percent.

When he left the State Department in 1984, Eagleburger went to work for Kissinger's consulting firm. In short order, he also became the American representative for Yugo mini-cars.

A Yugo sells for $8,000 in Yugoslavia and for $4,000 in the United States. To critics, that looks like a blatant attempt to raise hard currency by dumping a product for less than it is worth.

The Yugo is built by a division of the huge conglomerate which is the backbone of the Yugoslavian arms industry. Among its clients are Iraq, Libya and East European countries.

As a private citizen, Eagleburger also became a director of the New York branch of Ljubljanska Banka, a bank owned by the Yugoslavian government. In December, a wholly owned subsidiary, LBS Bank of New York, was indicted for allegedly laundering more than $1.4 million for U.S. Customs agents who were posing as drug lords. Eagleburger resigned from the bank after he was picked for the State Department post.

There is no indication that Eagleburger was involved in anything criminal at the bank or at Yugo, but his choice of work as a private citizen is bound to bring questions when he appears before the Senate Foreign Relations Committee for confirmation.

Eagleburger did not return our phone calls.